



---

**Electronic Theses and Dissertations**

---

2022

# Effects of strategic choices on the performance of the airline industry in Kenya.

---

Miyumo, Donna  
*Strathmore Business School*  
*Strathmore University*

**Recommended Citation**

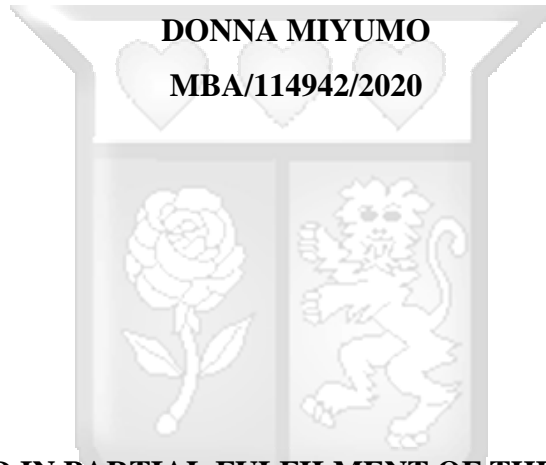
Miyumo, D. (2022). *Effects of strategic choices on the performance of the airline industry in Kenya* [Thesis, Strathmore University]. <http://hdl.handle.net/11071/13127>

Follow this and additional works at: <http://hdl.handle.net/11071/13127>

**EFFECTS OF STRATEGIC CHOICES ON THE PERFORMANCE OF THE AIRLINE  
INDUSTRY IN KENYA**

**DONNA MIYUMO**

**MBA/114942/2020**



**THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
MASTER IN BUSINESS ADMINISTRATION, STRATHMORE UNIVERSITY**

**VT OMNES VNVM SINT**

**SEPTEMBER 2022**

## **DECLARATION**

I, the undersigned, declare that this project is my original work and has not been submitted for examination in any other institution.

No part of this project may be reproduced without the permission of the author and Strathmore University

**DONNA MIYUMO**

**MBA/114942/2020**

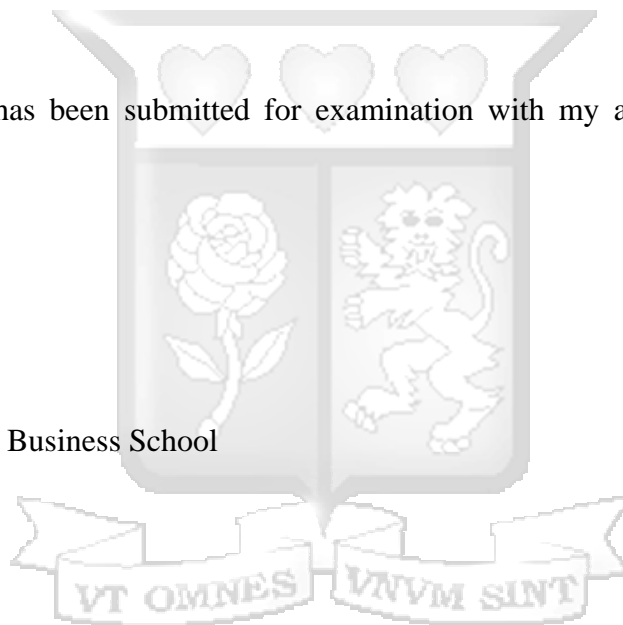
### **Approval**

This research thesis has been submitted for examination with my approval as the university supervisor.

Dr. Tabitha Waithaka  
Lecturer  
Strathmore University Business School

Dr. Angela Ndunge  
Ag. Executive Dean  
Strathmore University Business School.

Dr. Bernard Shibwabo  
Director, Office of Graduate Studies.



## ABSTRACT

The aviation sector is at a breaking point as a consequence of COVID-19 which has become a key catalyst to the existential crisis facing airline firms. Furthermore, the local airline industry has been lagging behind in performance has witnessed by the lack of service differentiation and growth within the majority of the domestic industry. To this end the research sought to determine the effect of strategic choices on the performance of the airline industry in Kenya. The study specifically sought to establish the effect of differentiation strategies, market penetration strategies and innovative strategies on the performance of domestic airline firms in Kenya. The review was informed by the contingency theory balance scorecard model. The research used a positivism research philosophy with quantitative techniques being employed in solving the study problem. The population of the study was the 43 domestic airline firms in Kenya. The study sampled 3-senior level employees from each firm with the sample size being determined using census sampling. The study sample participants were 129 staff members. The study collected quantitative data using structured questionnaires. The collected research data was analyzed using a mix of descriptive, factor and inferential analysis techniques. The study results were presented using charts and tables. The research was able to obtain 112 responses with majority of the respondents were female employees in the airline firms. Results showed that most respondents were marketing managers, and the least were the managing directors. The correlation analysis revealed existence of a strong and positive relation between innovative strategies, differentiation strategies and market penetration strategies and the operational performance of the airlines. The regression tests showed that strategic choices positively contribute to changes in the operational performance of the domestic airlines. The coefficients of the regression findings supported the conclusion that innovative strategies, differentiation strategies and market penetration strategies had a positive and significant effect on the operation performance of the domestic airlines. Its's recommended that due to the pandemic the government should create a support programme that will improve the incentives to the firms, create a supportive tax structure and adopt more simplified and reliable programmes that will help improve the recovery of the domestic aviation firms. Also, the domestic airlines can further implement price differentiation practices on the domestic routes which will ensure that more customer classes are able to be served. Further, through relying on the third parties the domestic airlines can be able to serve both the leisure travelers, business travelers and corporate entities thus improving the market penetration of the firms. Lastly, the domestic airlines should invest in modern dedicated information platforms that will offer innovative customer services that will boost engagement and service quality among the firms.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>ABSTRACT.....</b>	<b>iii</b>
<b>TABLE OF CONTENTS .....</b>	<b>iv</b>
<b>LIST OF TABLES .....</b>	<b>vii</b>
<b>LIST OF FIGURES .....</b>	<b>viii</b>
<b>LIST OF ABBREVIATIONS .....</b>	<b>ix</b>
<b>DEFINITION OF TERMS.....</b>	<b>x</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>xi</b>
<b>DEDICATION.....</b>	<b>xii</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION TO THE STUDY.....</b>	<b>1</b>
1.1 Background Information.....	1
1.2 Statement of the Problem.....	8
1.3 Objectives of the Study.....	10
1.4 Research Questions.....	10
1.5 Scope of the Study.....	10
1.6 Significance of the Study.....	10
1.7 Chapter Summary .....	11
<b>CHAPTER TWO .....</b>	<b>12</b>
<b>LITERATURE REVIEW .....</b>	<b>12</b>
2.1 Introduction.....	12
2.2 Theoretical Review .....	12
2.3 Empirical Review.....	14
2.4 Research Gaps.....	21
2.5 Conceptual Framework.....	23
2.6 Chapter Summary .....	24
<b>CHAPTER THREE.....</b>	<b>26</b>

<b>RESEARCH METHODOLOGY .....</b>	<b>26</b>
3.1 Introduction.....	26
3.2 Research Philosophy .....	26
3.3 Population of the Study.....	26
3.4 Sampling Design.....	27
3.5 Data Collection Instruments .....	27
3.6 Research Quality.....	28
3.7 Data Analysis and Presentation .....	29
3.9 Ethical Considerations .....	29
3.10 Chapter Summary .....	30
<b>CHAPTER FOUR.....</b>	<b>31</b>
<b>PRESENTATION OF RESEARCH FINDINGS.....</b>	<b>31</b>
4.1 Introduction.....	31
4.2 Response Rate and General Information of Respondents.....	31
4.3 Descriptive Analysis .....	34
4.4 Inferential Analysis.....	38
4.5 Overall Regression Strategic Choices and Operational Performance.....	44
4.6 Chapter Summary .....	45
<b>CHAPTER FIVE .....</b>	<b>47</b>
<b>DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>47</b>
5.1 Introduction.....	47
5.2 Summary .....	47
5.3 Discussion.....	48
5.4 Conclusions.....	51
5.5 Recommendations.....	52
5.6 Study Limitations and Suggestions for Further Studies .....	54
<b>REFERENCES.....</b>	<b>56</b>

**APPENDICES .....67**

Appendix I: Participants Consent Form..... 67

Appendix III: Ethical Research License ..... 67

Appendix IV: NACOSTI Research Permit..... 68

Appendix V: Research Questionnaire..... 69

Appendix VI: Diagnostic Results ..... 73

Appendix VII: List of Airline Firms in Kenya ..... 74



## LIST OF TABLES

Table 2.1 Summary of Research Gaps.....	21
Table 2.2 Operationalization of Research Variables .....	24
Table 3.1 Target Population.....	27
Table 3.2 Reliability Statistics .....	28
Table 4.1 Years working in Domestic Airline Industry.....	33
Table 4.2 Operational Performance .....	34
Table 4.3 Differentiation Strategies.....	35
Table 4.4 Market Penetration Strategies.....	36
Table 4.5 Innovative Strategies.....	37
Table 4.6 Correlation Differentiation Strategies and Operational Performance.....	38
Table 4.7 Regression Summary Differentiation Strategies and Operational Performance .....	38
Table 4.8 ANOVA Summary Differentiation Strategies and Operational Performance.....	40
Table 4.9 Regression Coefficient Differentiation Strategies and Operational Performance ....	40
Table 4.10 Correlation Market Penetration Strategies and Operational Performance.....	41
Table 4.11 Regression Summary Market Penetration Strategies and Operational Performance .....	41
Table 4.12 ANOVA Summary Market Penetration Strategies and Operational Performance .	41
Table 4.13 Regression Coefficients Market Penetration Strategies and Operational Performance .....	42
Table 4.14 Correlation Innovative Strategies and Operational Performance .....	42
Table 4.15 Regression Summary Innovative Strategies and Operational Performance .....	43
Table 4.16 ANOVA Summary Innovative Strategies and Operational Performance .....	43
Table 4.17 Regression Coefficients Innovative Strategies and Operational Performance .....	43
Table 4.18 Regression Summary Strategic Choices and Operational Performance .....	44
Table 4.19 ANOVA Summary Strategic Choices and Operational Performance .....	44
Table 4.20 Regression Coefficients Strategic Choices and Operational Performance .....	45

## LIST OF FIGURES

Figure 2.1 Conceptual Framework .....	23
Figure 4.1 Response Rate .....	31
Figure 4.2 Age of Respondents.....	32
Figure 4.3 Gender of Respondents.....	32
Figure 4.4 Education of Respondents .....	33
Figure 4.5 Department in Domestic Airline .....	34



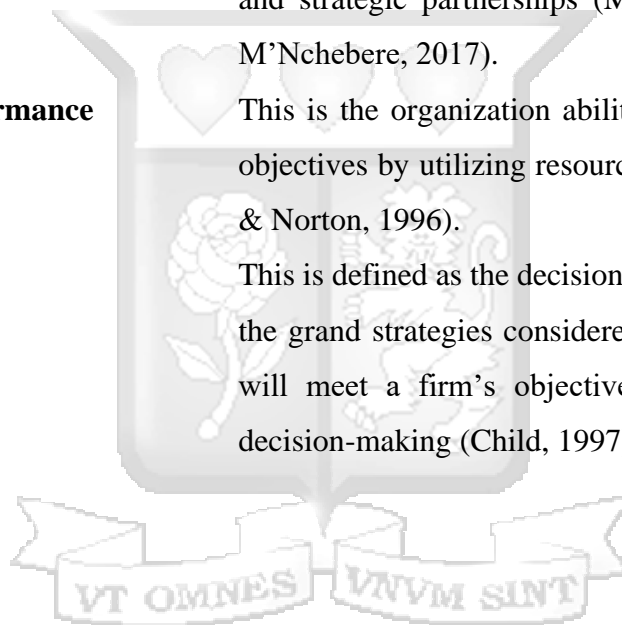
## LIST OF ABBREVIATIONS

<b>ICAO</b>	International Civil Aviation Organization
<b>ICT</b>	Information Communication Technology
<b>IATA</b>	International Air Transport Association
<b>KCAA</b>	Kenya Civil Aviation Authority
<b>KQ</b>	Kenya Airways
<b>NACOSTI</b>	National Commission for Science, Technology and Innovation.
<b>PLC</b>	Public Listed Companies



## DEFINITION OF TERMS

<b>Differentiation strategy</b>	These are the various actions designed by the firm to produce goods and services that are perceived to be different by consumers (Rahman, 2011).
<b>Innovation strategy</b>	This is the process for putting on something new to an existing product, service, or process (Grimpe, Sofka, Bhargava, & Chatterjee, 2017).
<b>Market penetration strategy</b>	These are the various growth activities undertaken by business entities with an aim of improving their market share through exploiting their product ranges and strategic partnerships (Mokaya, Kanyagia, & M’Nchebere, 2017).
<b>Organization performance</b>	This is the organization ability to meet short term objectives by utilizing resources prudently (Kaplan & Norton, 1996).
<b>Strategic choice</b>	This is defined as the decision to select from among the grand strategies considered, the strategy which will meet a firm’s objectives, it is nothing but decision-making (Child, 1997).



## **ACKNOWLEDGEMENT**

I acknowledge the Almighty God for His abundance and blessings that has made this research process a successful. I further acknowledge the immense support of my supervisor Dr. Tabitha Waithaka who guided me through this study and provided invaluable insights. Lastly, thanks to everyone who contributed in one way or another in the project work.



## DEDICATION

I dedicate this research project to my family for their steadfast motivation and words of support.



# CHAPTER ONE

## INTRODUCTION TO THE STUDY

### 1.1 Background Information

Globally, the COVID 19 pandemic has caused chaos and unprecedented service disruption within the world airlines (Dunn, 2020). This has resulted in most governments coming up with travel bans and shutdowns of air travel, which has dampened the stability of large and small carriers alike (The Economist, 2020). International Air Transport Association-IATA (2020) notes that more than 60% of the global commercial air industry has seen their aircraft grounded, with revenues from passenger travel declining by more than 55%. The continued crisis has seen most airline firms responding with strategic renewal actions geared towards creating a more innovative service offering, retrenching their staff, retiring the fleets, and discontinuing loss-making business activities (Wenzel, Stanske, & Lieberman, 2020).

The resultant operating environment has increased pressure on the airline industry to produce economic results or perish as fuel, labor, and asset costs escalate and demand declines. A stagnating economy, labor strikes, natural disasters, and currency crisis have left some European carriers and struggling with major unexpected losses (Belobaba, Odoni, & Barnhart, 2015). With the industry poised for recovery, competition is increasing as a result of emerging low-cost carriers that continue to gain market share. In addition, new operating models, innovative entrants, and further airline consolidation will continue to create competitive pressure and new difficulty for legacy carriers (Chepkemboi & Paul, 2019). Airlines have therefore come up with near-term strategies such as reductions in seat capacity and product unbundling for example extra pay for window or aisle seats, or more exit-row legroom. Consequently, this has led to a potential long-term impact on customer loyalty, experience, and the airline's profitability (Albers, Baum, Auerbach, & Delfmann, 2017).

Hannigan, Hamilton III and Mudambi (2015) determined that price strategies improve airlines' performance, while quality improvement strategies reduce firm profitability in the USA airline industry. Albers and Rundshagen (2020) investigated European airlines' strategic responses to the COVID-19 pandemic and found that airline firms had made strategic choices along retrenchment, perseverance, innovation and exit strategies. The study also showed that although the government can prevent collapse of large airline firms, it can also hinder effective strategic decision making. According to Turkey's Aldemir, Şengür and Ulukan (2021), cost leadership

strategies are the primary strategies employed to increase competitiveness of airline firms. Obulor (2021) affirm that compensation practices improve Nigerian airline employees' behavior and performance output, while Odongo, Mugambi and Abayo (2019) established that improving labor relations would increase performance of airways firms. Kamau and Stanley (2017) investigated performance within Kenya Airways (KQ) and determined that the airline would improve its performance if it became more innovative when making strategic decisions and improves leadership quality through capacity building. Farah, Munga and Mbebe (2018) investigated competitive strategies by focusing on differentiation, cost leadership, product innovation and market focus strategies and found a positive relationship between all variables and performance. These studies show that there are different aspects of strategic management that affect performance in different ways. With the Covid-19 outbreak impacting airlines' business performance, it would be essential to determine strategic choices have influenced the performance within Kenya's airline industry.

### **1.1.1 Strategic Choices**

Definitions of strategic choices abound in the literature. However, the salient notion points to strategic choice as the aspect of strategy that is considered before making an absolute final decision on the direction of the firm. It involves the selection strategy for best fit in an organization (Kamau & Kavale, 2015). The concept emerged from the works of John Child (1972) and has had a significant impact on the understanding of management choices and how they relate to organizational performance. Child (1997) defined strategic choice as the process through which power-holders within an organization make decisions concerning the organization's strategic action. The problem always comes when strategists have to choose from many alternatives which may be suitable for achieving organizational goals (McKiernan & Wilson, 2014). Strategic choice can be defined as "the decision to select from among the grand strategies considered, the strategy which will meet a firm's objectives, it is nothing but decision-making (Wilson & McKiernan, 2011). The decisions involve the formulation and focus on various alternatives, considering different micro and macro factors during selection, evaluating the different available alternatives, before making the actual choice (Ceptureanu, Ceptureanu, & Marin, 2017).

According to Van den Steen (2013), the strategic choices present the optimal objectives that a firm should implement to achieve value maximization, and it has been referred to as the selection of best-fit strategies. These choices can be the various actions that an organization can pursue

based on resource availability and commitment in the firm. Thus, strategic choices enhance the clarity of generic strategy and the organization's strategic intent thereby leading to high performance (Parnell, 2013). Christensen, Raynor, and McDonald (2015) established that strategic choice is deliberate on winning and is concerned with creating and sustaining growth and other indicators of organizational performance.

Kamau (2019) noted that the key to strategic response within the airline industry involves the incorporation of new technologies, improvement of product development, and advancing service quality. Chepkemboi and Paul (2019) acknowledge that in a disruptive environment it is vital for airline industry firms to undertake robust innovation and leverage emerging technologies such as blockchains and digital platforms to advance their performance. Abdirahman (2017) established that a review of marketing strategies, pricing strategies, strategic alliance, and assets management is critical to the performance of airline firms. Omwoyo (2016) opined that generic strategies can be critical to the achievement of competitiveness within domestic airline firms in Kenya. This study sought to understand the impact of strategic choices on the performance of airline industries and the tenets of Porter's generic strategies. The strategies have been identified as key to enhancing firm performance and generating sustainable competitive advantage, and have also been applied in previous research on performance in the airline industry.

Thus, the study focused on differentiation strategies, market penetration strategies, and innovative strategies as applied in Omwoyo (2016), Kamau (2019), and Farah, Munga, and Mbebe who investigated strategic management and performance in the airline industry. These strategies are selected for this examination as shown in the previous research work they are critical to the performance of firms.

Differentiation refers to product or service modification to enhance uniqueness and attractiveness over competitors. Porter and Magretta (2014) define it as a business approach whereby businesses strive to alter their products or services to suit different customer segments and to establish a position of product superiority from the customer's perspective. Ramayah, Samat, and Lo (2011) defined differentiation strategies as the various actions designed by the firm to produce goods and services that are perceived to be different by consumers. Through the utilization of differentiation strategies, a firm can develop and offer products and services that have different attributes from its competitors (Zekiri & Nedelea, 2011). In a differentiation strategy, an organization aims to be unique in the industry, along with some parameters that are widely valued by buyers (Baroto, Abdullah, & Wan, 2012). There are various ways of attaining differentiation

and companies can apply complex or completely simple ways such as changing technological features, design, brand image, customer service, or dealer networks (McGee, 2015). Differentiation strategy includes warranties, brand image, technology, features, service, quality (value), and dealer network (Rahman, 2011). Modifications could be small, such as packaging improvements, changing advertising themes, or altering service packages.

Hussain et al., (2013) define market penetration as a firm's share of total sales of both current and new products in the market. An increase in the volume of sales would improve performance since it would allow businesses to increase their presence in the market. According to (Wheelen & Hunger, 2011), penetration strategies are those strategies that involve businesses diverting their resources to facilitate entry or increase presence in the market. Market penetration strategies are those strategies adopted by an organization to increase market presence. It involves launching a product or service, introducing it into the market, and capturing a sizeable market share (Luo & Zhao, 2014). These strategies vary but the main ones are promotional strategies, pricing strategies, distribution strategies, and diversification strategies. Market penetration strategies have been associated with increased market presence and higher market share (Chandola & Fu, 2017). Ansoff (1965) notes that market penetration as a strategy is aimed at increasing sales in a market with already existing or similar products from existing rivals (Quoted in Veraart et al., 2014). Fink and Kraus (2009) indicated that market penetration strategies are the various growth activities undertaken by business entities to improve their market share through exploiting their product ranges and strategic partnerships. Kyalo (2016) states that market penetration happens when an organization enters or infiltrates its current market with current items. It is expected that once firms gain a larger market share, their competitors have lower sales, making penetration strategies key to generating a sustainable competitive advantage.

Innovation is discussed as putting on something new to an existing product, service, or process (Weerasiri, Zhengang, & Perera, 2012). Innovation strategies encompass strategies aimed at enhancing product delivery through the update of techniques and software. The product, service, or process could already be working reasonably well but is changed or improved so that it works better or fulfills a different need, and this is then referred to as innovation. Innovation, therefore, is the effective exploitation of new ideas and processes, not forgetting that all innovation starts with creative ideas and thoughts (Waithaka, 2016). Cascio (2014) notes that innovation strategies involve the implementation of new thoughts, products, processes, management practices, and marketing, or any other features of the organization's activities that lead to value generation.

Nadoo (2016) reports that marketing strategies are incremental means of performance enhancement that focus on improvements in product placement, pricing or promotion, packaging, and design. Technological innovations involve the integration of new technologies such as blockchain to enhance product and service delivery. Process innovation, on the other hand, is the introduction of improvement of organization processes to realize superior performance (Bauer & Leker, 2016).

### **1.1.1 Organizational performance**

Definitions of organizational performance abound in literature depending on the goals of an organization. However, performance refers to an organizations capacity to meet short-term and long-term objectives by utilizing resources prudently. Availing products and services that cater to the needs of customers is called effectiveness whereas meeting organizational objectives with available budgets and resources is efficiency (De-Waal, 2007). Organizational performance is the most important construct for the organizational survival of an entity and is reflected in its capacity to achieve key strategic objectives (Udegbe, 2017). According to Katzenbach and Smith (2015) performance is the degree to which organizations meet their objectives measured in terms of financial returns, customer satisfaction, service quality, and other intangible outcomes. Awino, Muturia, and Oeba (2012) posit that the performance outcomes of any organization are achieved when strategies are well planned and executed. On execution, the strategy should be effectively operationalized.

Murphy (2016) affirms that performance is multifaceted and may even vary from one department to another within the same organization, entailing production, finance, departmental, marketing and is linked to growth and profit. Its measurement can be done using subjective or objective indicators (Chen & Tzeng, 2014). According to Lo and Fu (2016), organizational performance is the assessment of the functioning of an organization under such parameters as productivity, underlying optimism, and effectiveness to attain competitive advantage. Bakar and Ahmad (2016) assert that measuring firm performance must incorporate both financial and non-financial aspects of goal realization since firms have a responsibility to different stakeholders, goals, and strategies to achieve these goals. Financial measures include return on investment, return on assets, and net profit after tax (Tavitiyaman, et al., 2012), while non-financial measures involve an increase in market structure and competitive strategy, customer satisfaction, growth, and stability (Rosli & Sidek, 2013). Having a balance in both financial and non-financial outcomes measurement is key to ensuring optimal performance within organizations (Krager & Parnell, 1996).

The balanced scorecard is a strategic model that incorporates both financial and non-financial measures of financial performance Benkova et al., (2020). Globalization has led to increased strategy harmonization which has significantly improved the popularity and applicability of the balanced scorecard in performance measurement (Norreklit, 2018). It considers four different perspectives: finance, customer, internal process, and learning and growth, thus incorporating both financial and non-financial measures of performance. The financial dimension incorporates profit generation, corporate governance, and return on investment from the shareholder's perspective, the customer perspective assesses how well customer needs are addressed, thus is concerned with strategies that enhance customer satisfaction (Kaplan & Norton, *The Balanced Scorecard: Measures that drive performance*, 2005). The financial aspect considers ROE, ROA, debt ratio, and current ratio (Zhang, Yang, Wang, & Zhang, 2014). The internal process perspective deals with how effective and efficient operations are and the learning and growth involves the development of resources necessary for future innovation and expansion (Muiruri, 2014). The BSC is an implementation tool that firms with explicit strategies can utilize when determining how to increase the efficiency of strategic choices (Kaplan and Norton, 2000).

As a management system, it helps management determine the needs of customers, stakeholders, and employees, and balance these with financial goals, organization capacity, and internal business processes resulting in optimal desirable performance outcomes (Sayed, 2012). In the airline industry, customer perspective is measured by profit per customer, the ratio of several passengers to several seats, and changing some customers reflect return on investment, the attractiveness of the airline, and retention and loyalty respectively (Rostami et al., 2015).

The internal performance incorporates aspects such as number of passengers to employees, sales performance, number of accidents, and flights per number of employees. The learning and growth perspective involves aspects such as talent acquisition and retention strategies, and resources growth such as some planes (Dinçer, Hacıoglu, & Yuksel, 2016). The dimensions of the BSC provide a holistic view of a company's achievement of its goals. By applying this model in measuring performance, the research ensured that the impact of all strategic choices is properly accounted for. The study utilized non-financial measures of the airline performance focusing on their efficiency, effectiveness and customer satisfaction. The research used these non-financial metrics, efficiency focused on improving operations, optimal services to customers and more routes. Effectiveness covered utilization of resources and management of workforce. Customer satisfaction entailed better services, being more customer- centric and quality standardization.

### **1.1.3 Airline Industry in Kenya**

The airline industry is a key part of the economy, facilitating trade and international economic relations by stimulating exchanges between countries. The Kenyan airline industry is regulated by the Kenya Airports Authority (KAA), and the Kenya Civil Aviation Authority (KCAA) whose aim is to plan, develop, manage, regulate and promote the sustainability and efficiency of civil aviation system. IATA (2019) reports that the airline industry employs more than 410,000 people, contributes to 4.6% of GDP, supports the tourism and hotel industry, facilitates trade, and connects Kenya to the rest of the world. Kenya's aviation industry has, however, been lagging behind that of developed economies, with the country boasting only one internationally recognized air carrier that has been experiencing poor performances. IATA's (2018) report showed that Africa was home to the weakest airlines across the globe. The continent airline industry projections showed that the firms were expected to post a loss of \$300 million in 2019. The cost of operation in African Airlines is high due to the high taxes imposed by the African governments and costly monopoly airlines dominating the aviation industry in Africa. This, coupled with poor management of the airlines, operational restrictions, lack of infrastructural development, and intense competition, limited the performance of airline industries in the continent (ICAO, 2017).

Kenya's aviation industry has been under increased competition from foreign investors and private domestic players alike, despite growing by more than three quarters between 2010 and 2019 (Thendu, 2020). The industry comprises of the national carrier, Kenya Airways, 41 foreign airlines, some with regional offices others without, and thirteen local private airlines (Gikonyo, 2018). Domestic capacity has risen by 1.95 million departure seats in 2010 to 5.18 million in 2019, while international capacity has grown from 3.88 million to 5.1 million in 2019 (Nduta & Deya, 2020). According to KCAA (2019), the total number of passengers handled in the country improved to 11.8million in 2018 from a 10.1million in 2017. The domestic and international passenger movement increased by both 22.5% and 13.1% respectively. The total domestic aircraft movements improved by 7.5% to hit 223,479 in 2018 with domestic landings increasing to 110,922 within the country.

Despite this growth, the national carrier, Kenya Airways (KQ) has experienced fluctuation performance in recent years (Kasomba & Omagwa, 2020). Despite posting positive growth in the year 2012 of 107 billion in turnover, which resulted in improvement in the fleet and staff members, the company performance has deteriorated ever since (Mungai & Bula, 2018). In 2017, Kenya Airways remained in the negative territory despite cutting its losses by 51 percent to \$97.6 million compared with \$249.7 million posted the previous year. In 2018, KQ narrowed its net

losses by 28.8 percent to Sh4 billion in the half-year ended June on the back of cost-cutting measures and revenue growth (Kiiru, Kirori, & Omurwa, 2019). In 2019, the company recorded a 12.4% revenue increase from the previous year, largely attributed to network expansion strategies, increased passenger flows, and diversification of revenue streams.

Despite instituting well-thought plans and turnaround strategies aimed at increasing performance, the aviation industry has been hit hard by the pandemic. Kenya Airways (2021) reported 2020 as the worst year in the history of aviation, with the volume of traffic dropping to levels last reported in 1999. Revenue reduced by 59% to Kshs. 52,805 million and the company reported an operating loss of 51% largely attributed to measures taken to control the pandemic which saw traffic reduce by more than 75%. The losses experienced by the national carrier are reflective of the country's airline industry performance. For an airline to become profitable it must put in place strategies that position itself in market dominance and improve the firm's overall performance (Mwangi & Kisimbi, 2020). Kenya Airways (2021) notes that it remains committed to recalibrating and resetting the business to adapt, thrive, and survive in the extremely uncertain geopolitical environment. Given the above details about the current situation of the Kenyan airline industry, strategic choices were key to determining the future of Kenya's airline industry. The current study analyzed how strategic choices impact the performance of domestic airlines registered with KCAA as of December 2020.

## **1.2 Statement of the Problem**

The aviation sector is at a breaking point as a consequence of COVID-19 which has become a key catalyst to the existential crisis facing airline firms (Maneenop & Kotcharin, 2020). There is concern globally over the future of the industry and what steps are needed to ensure that airlines were able to successfully reemerge from the pandemic (Gössling, 2020). Furthermore, the airline industry within developed economies is facing intense competition as a result of globalization and increased consumer demand for quality services (Al-Romeedy, 2019). This coupled with a lack of clear policy formulation, strategic renewal, and adoption of market-based initiatives has greatly affected the sustainability of local airlines in Kenya (Thendu, 2020). It is, therefore, high time for the aviation industry to be robust and become highly competitive so as enhance the tourism sector and, eventually, the country's economy (Mungai & Bula, 2018). This calls for domestic airlines to be precise in their strategic choices as this can be ideal for revitalizing the performance of the firms. There is however limited knowledge on the link between strategic choices, leadership competency, and performance of firms in the airline industry in Kenya. This motivated this study to solve this knowledge gap.

Several studies have sought to focus on the performance of airline firms. Schmidt (2020) examined strategic alliances its impact on the Performance of Airlines. It was revealed that larger firms did not gain much from alliances while smaller lines improve their performance through strategic alliances. Results showed that cooperation through strategic alliances was a determinant of airline performance. Parast and Golmohammadi (2020) found out that business strategies and airline size had a moderating effect on the link between service disruptions and service quality. Agrawal (2021) reviewed the sustainability of airlines in India with Covid-19 and revealed that revamping their turnaround strategies through changes in their revenue and operational models are key to improving the airlines sustainability. Lin, Osman and Wang (2018) in a study of Malaysian airlines found out that building on customer trust and satisfaction will lead to better loyalty which is ideal for airline performance. The above studies were not focussed on Kenyan airlines and did not consider the strategic choices that was analyzed in the current study. In a local study, Kamau (2019) indicated that the challenges being faced in the Kenyan Airline include poor management decisions, operational inefficiencies, and failure to counter competition. Farah, Munga, and Mbebe (2018) established that competitive strategies are key to the performance of commercial airlines in Kenya. Nyaga and Simiyu (2018) found a positive relationship between market expansion, product innovation, and financial alliances, and the performance of airline firms. Musyoki (2018) established a positive and significant relationship between organizational resources and competitive advantage in a study on organizational resources as sources of competitive advantage, however, the current study sought to address how strategic choices impact resource utilization, and how this in turn influences performance.

The above studies point to a clear link between various strategies and performance among airline firms. However, most of these studies are focusing on the national carrier or smaller subsidiaries of the company. There is inadequate literature taking into consideration the overall effect of strategic choices on the performance of the general airline industry in Kenya. Currently, the global pandemic has increased the challenges experienced in all industries, including the airline industry. It is during these tough moments that strategic planning becomes paramount to ensure survivability. It is against this background that this study explores the effect of strategic choices on the performance of Kenya's airline industry.

### **1.3 Objectives of the Study**

The main aim of this research is to establish the effect of strategic choices on the performance of the airline industry in Kenya.

#### **1.3.1 Specific Objectives**

- i. To establish the effect of differentiation strategies on the performance of the airline industry in Kenya.
- ii. To establish the influence of market penetration strategies on the performance of the airline industry in Kenya.
- iii. To establish the effect of innovative strategies on the performance of the airline industry in Kenya.

#### **1.4 Research Questions**

- i. What is the effect of differentiation strategies on the performance of the airline industry in Kenya?
- ii. What is the influence of market penetration strategies on the performance of the airline industry in Kenya?
- iii. What is the effect of innovative strategies on the performance of the airline industry in Kenya?

#### **1.5 Scope of the Study**

The contextual scope of the study sought to establish the influence of strategic choices on the performance of the airline industry in Kenya. The study examined the effect of differentiation strategies, innovation strategies and market penetration strategies on performance. The geographical scope of this investigation was constrained to domestic airline firms operating within Kenya. The theoretical scope of the study was anchored on the contingency theory which argues that strategic choices depend on the prevailing conditions in the business environment. The time scope for the study was between September 2021 - June 2022.

#### **1.6 Significance of the Study**

This research and the relevant findings were of important benefit to other airlines across the world, airline employees, airline managers or leaders, airline owners, strategy leaders, airline decision-makers as it will evaluate the effects of strategic choices and how they influence the performance of the industry. This will provide insights on the effects of different strategies and guide them during formulation, evaluation, and selection of strategies.

The research is expected to be vital to expanding regulatory policymaking in the airline industry. As a key policymaking unit, the government has considerably placed the Airline Industry as a key component of its 2030 vision and continues to develop new regulations to streamline the sector. In pursuit of this, a clear understanding of the impact any new or formulated policy and regulation towards the sector has on its current and future performance, and sustainability is critical. Hence the study results will help in advancing policy formulation center on the performance of the industry. The Kenya Civil Aviation Authority (KCAA) can rely on the findings of this study in identifying the performance gaps in the airline industry and advance guidelines that can be adopted by individual firms in their strategic processes.

The study takes into consideration how the management team determines strategic choices which are vital to organization performance. Its findings will yield results that would help the management team in evaluating their strategic choices and identifying the best ways to enhance the performance of their firms by leveraging their strategic resources.

The findings were a solid source of information for future scholars studying performance in the airline industry. The use of the Balanced Scorecard in measuring performance in the airline industry will also expound on literature on how to measure performance in the airline industry and how strategic choices can impact firm performance. This was key to future research. Further, the study will serve as a citation in future research on strategic choices and performance.

### **1.7 Chapter Summary**

The first chapter of the research was vital in presentation of the background of the study which identified the conceptualized variables of the study and the parameters of measurement for individual variables. Further, the chapter outline the focus of the study, the problem statement and the objectives guiding the survey. The chapter finalized with a presentation of the study scope and significance of the study to the various players within the airline sector in Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed the theories that guided the study and the empirical literature as guided by the objectives of the study. The chapter also presented the conceptual framework and the operationalization of the research variables.

#### **2.2 Theoretical Review**

A theoretical framework refers to the theory that a researcher chooses to guide him/her in research (Sekaran & Bougie, 2016). Thus, a theoretical framework is the application of a theory, or a set of concepts drawn from the same theory, to offer an explanation of an event, or shed some light on a particular phenomenon or research problem (Stahl, Björkman, & Morris, 2012). This study was anchored by the contingency theory and balance scorecard model which designates the role of strategic decisions to certain contingencies.

##### **2.2.1 Contingency Theory**

Founded by Fiedler (1964), contingency theory argues that no best strategy can work in all organizations; further, there is no single strategy that can work in a single organization at all times, rather, the strategic choice is influenced by variables known as contingency factors. Scholars have looked at a wide range of contingency factors such as the operating environment, resources, technology, organization structure among others (Claycomb, Germain & Droege, 2015). These factors have been investigated to determine how they interact with strategy variables to determine the performance of the firm.

At the center of contingency theory is the concept of the situation, identified by three factors: manager-staff relationship demonstrated by the general overtone of the group and the feelings of loyalty, trust, and faith the group has towards the manager; task structure which is related to how clear the tasks are and the means to accomplish them; and the position power which relates to the amount of reward-punishment authority the manager has over the members of staff (Lorsch, 2010; Ghofar & Islam, 2015). Before making any strategic decisions, managers have to evaluate how the choices will interact with the contingencies before selection of the most appropriate actions for achieving the objectives.

Contingency theory has proven over time to be a reliable and valid approach for effectiveness in leadership and strategic choices because it has solid grounds for empirical research (Fiedler, 2015). Researchers who have followed Fiedler postulations have also validated contingency theory in different contexts, with studies on strategic choice consistently agreeing that the choices made by top managers are contingent upon situations (Heiens & Pleshko, 2011). Contingency theory has also been proved to have 'predictive powers' in establishing different leadership styles, and hence strategic choices that can be most effective in different contexts. Moreover, contingency theory suggests not expecting leaders to make choices that would be equally effective in all situations, and therefore organizations should consider leaders in optimal situations according to their leadership style (Wadongo & Abdel-Kader, 2014).

Although contingency theory has much strength, it mainly falls short in the sense that it doesn't explain why managers with certain leadership styles and choosing certain strategies are effective in some situations but not others (da Cruz, Nunes, & Pinheiro, 2011). Contingency theory also does not satisfactorily explain what should be done about a leader/situation mismatch in the workplace so as improve the performance of organizations (Kulkarni, 2017). The current study, therefore, used the postulations of contingency theory to explain the strategic choices adopted by domestic airline industry firms to improve their performance. In this study, the strategic choices were examined based on; differentiation strategies, market penetration, and innovative strategies.

### **2.2.2 Balance Scorecard**

The balance scorecard emanated from the works of Kaplan and Norton (1992) who proposed that the tool was developed as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance (Kaplan & Norton, 2001). Kaplan (2009) argues that the Balanced Scorecard should be used to express and communicate the strategy of a business to help align the initiatives at an individual, organizational and cross departmental levels towards achieving common long-term goals (Kaplan & Norton, 1996).

The collision between the pressure to establish long range competitive capabilities and the historical financial model led to the creation of the Balanced Scorecard (Kaplan, 2009). The balance scorecard translates the organization's mission and strategy into a comprehensive set of performance measures to provide the necessary framework for a strategic measurement and management system that enables companies to track short term financial results (Ali, 2019);

while simultaneously monitoring their progress in developing the capabilities and acquiring the intangible assets that generate growth for future performance (Kaplan, 2012). The balance scorecard has become one of the most important measurement techniques because of its ability to incorporate both financial and non-financial variables in measuring organizational performance. The model focuses on examination of the organization performance based on the financial, customer, internal process, and learning and growth perspectives (Coe & Letza, 2014). This model was utilized in this study in conceptualizing the measurement of the operational performance of the domestic airlines in Kenya. Based on the model this research developed three main metrics for assessing the performance of the airlines; efficiency, effectiveness and customer satisfaction. The financial perspective was not incorporated owing to the limited accessibility of the annual financial reporting requirement for domestic airline firms which would have made data availability impractical.

## **2.3 Empirical Review**

This section focused the various extant literature relating to the specific objectives of the research. The section contained previous empirical studies on differentiation strategies, market penetration strategies and innovative strategies and their influence on firm performance.

### **2.3.1 Strategic Choices**

According to the strategic choice concept, managerial discretion is key in informing the diffusion and operation of industrial relations mechanisms and HRM practices (Lee & Moon, 2016). It operates behind the logic that managers are central in determining the strategies that best serve their organizational objectives (Alaaraj, Mohamed, & Bustamam, 2018). Developed to explain internal strategic choices, research has drifted towards internal factors and external factors that determine strategic choices, including management style, institutional resources, external environment, and network channels (Bağış, 2020). The selection of a strategic choice involves establishing purposes, guidelines, and constraints of the firm to enhance performance, enabling efficient management of resources. It is paramount that persons in charge of choice selection have a clear understanding of the organization's position, the people and roles they play in realizing organizational goals, and the styles that was efficient in the long term (Okumus, Sengur, Koseoglu, & Sengur, 2020).

Strategic choices manage a firm's future, and it is paramount that those in positions of power think strategically when planning for the future. An increasingly global organizational operating

environment has assessed strategic choice management to become crucial in the academic field (Min & Joo, 2016). Kaplan and Norton (1996) noted that managers have to select actionable strategies, linked to the departmental, team, and individual goals, and linked to resource allocation. As such, strategic choices have to be firm-specific, be reasonable, and must consider all stakeholders and resources available (Addae-Korankye & Aryee, 2021). Thus, some strategies that may be successful in some organizations may be unsuccessful in others (Eden & Ackermann, 2013).

Johnson, Whittington, Scholes, Angwin, and Regnér (2011), note that to become competitive, it is necessary to adopt competitive strategies, with Sidorwicz (2007) reporting that competitive strategies consist of innovative, skill-based, and strategic. Porter (1991) argues for consideration of organization structure and industry before strategy selection, advocating for strategic choice based on core competencies. Onuonga (2014) identified cost leadership, differentiation, and focus strategies that emerged from Porter's (1991) studies. Nkegbe and Yazidu (2015) noted that strategic choices should aim to ensure that firms provide quality goods at reasonable prices than competitors to ensure that they remain competitive. Farah, Munga, and Mbebe (2018) affirm that airline companies have adopted cost leadership strategies, product innovation strategies, market focus strategies, and product differentiation strategies to influence performance.

### **2.3.2 Differentiation Strategies and Organizational Performance**

Differentiation strategies are a form of marketing strategy that involves the deliberate designing, redesigning, or redeveloping of a product or service to make it uniquely relevant to the others in the market (Omwoyo, 2016). The improvement could be major or minor and is associated with improvements in design, brand image, features, service provision, network, marketing, or technological innovations (Guandaru, 2019). Increased uniqueness is associated with perceived reliability and improved brand image which is essential to driving loyalty among customers. Wang, Ke, and Cui (2021) notes that effective differentiation results in products or services being viewed as exceptional and as a result becomes uplifted from competing based on price to the basis of non-price attributes including product characteristics, promotion variables, or distribution strategies. Differentiation can be achieved by paying attention to products, focusing on the relationship between customers, and through interconnections within and between businesses (Kamau & Kavale, 2015). Banker, Mashruwala, and Tripathy (2014) assert that when products have unique qualities, the management can use them as an advantage to drive sales.

In a study of airline companies in Turkey, İzzet, Akif, and Emre (2013) focused on the competition strategies of the airline companies in Turkey. The investigation employed a qualitative approach with the population consisting of managers drawn from the airline companies in Istanbul. The review of the data showed that utilization of cost leadership, service quality measures, service improvement, and product modifications, as well as technological changes, were integral to the firm performance. The investigation noted that competitive strategy implementation is a key factor in performance in the airline industry. The research focus is on firms in a European nation, while this investigation analyzed mostly on the domestic airline firms operating in Kenya.

Moreno-Izquierdo, Ramón-Rodríguez, and Ribes (2015) examined the impact of the internet on the pricing strategies of European low-cost airlines. The study employed a survey research design focusing on a review of 2500 low-cost flights in Europe. The review indicated that the utilization of the internet allowed firms to differentiate their service offering and obtain relevant information, which guided the formulation of pricing strategies. The findings showed that associated costs, demand, and a number of competing firms determined the pricing strategies of the low-cost airlines. The study only contextualized determinants of pricing strategies, while the current examination focuses on the link between differentiation strategies and the performance of the airline industry.

Omwoyo (2016) conducted a study on select airlines in Kenya investigating the effects of generic strategies on the competitive advantage of firms. The research employed a descriptive research design with 100 senior management staff from the selected firms being considered. The study adopted descriptive and inferential statistics in information examination and presentation. The findings indicated that the adoption of cost leadership and differentiation strategies were critical to the airline firm's competitiveness. It was further revealed that creating customer values vis quality products, offering premium prices, utilization of emerging technologies, and meeting customer needs is critical to the competitive advantage of the firms. The examination is only focused on a few airline firms in Kenya. The current study focused on this and examine the performance of all domestic airlines in Kenya.

Farah, Munga, and Mbebe (2018) study reviewed the influence of competitive strategies on the performance of commercial airlines in Kenya. The study employed a descriptive survey of the airline industry in Kenya, with a population of 393 managers adopted. The study relied on

quantitative research data collected using a questionnaire. The analysis of the results indicated that cost-leadership, market focus, product innovation was integral to the performance of airline firms in Kenya. The findings indicated that competitive strategies are vital to institutional performance; however, domestic airlines should be at the forefront in identifying gaps in the market and improving service attributes to foster their performance. The current investigation focused on the premise of this study and focus on more strategic choices undertaken by airline firms and how they impact performance levels.

Guandaru (2019) research reviewed the strategies deployed by Fly 540 aviation company to sustain competitive advantage. The study employed a descriptive approach with primary data collected using interview guides and questionnaires. The findings indicated that the firm had improved the execution of cost-cutting strategies that were geared towards enhancing efficiency. The study showed that the firm was leveraging on its client base by offering customer-oriented services, focusing on particular market segments, improving product and service designs, and introducing new routes not crowded by competitors. Further, it was noted that strategic responses by the firm, such as focus strategy and pricing (cost) leadership were key to competitive advantage. The research was limited to a single airline, while the current study reviews the performance of domestic airline firms in Kenya.

### **2.3.3 Market Penetration Strategies and Organizational Performance**

Market penetration strategies are particularly important in industries where services or products offered are similar and the nature of competitive rivalry is high (Muriithi & Waithaka, 2020). Several approaches can be adopted when implementing the market penetration strategies; pricing strategies, promotional activities, updating the product lines, expansion activities, and new market targeting (Panchal, 2016). Veraart, Thijsen, Tong, and Leer (2014) note that market penetration strategies do not necessarily require product modification; instead, the focus is on the selling techniques adopted to push sales of new and existing products or services.

Hussain et al, (2013) reports that market penetration strategies are the results of a firm's managerial decisions, and are meant to offer value to customers. They identify price reduction strategies, terms improvement, expanded marketing, distribution channel expansion, and product differentiation. Bulle (2020) identified pricing strategy, distribution strategy, diversification strategy, and promotional strategy as four strategies that have been previously employed to increase market share.

Alaaraj, Mohamed, and Bustaman's (2018) study purpose were to determine the link between external growth strategies and organizational performance in emerging markets. The study employed a quantitative approach with 240 senior managers selected from the public listed companies (PLCs) in Malaysia. The study showed that growth strategies have a positive and significant effect on firm performance. The findings established that employing strategic alliances, undertaking mergers, and acquiring other firms had a significant effect on firm performance. The paper showed that strategic alliances are more robust in building competitiveness and allowing firms to survive longer as compared to merger activities. The research was, however, not premised on the airline industry, which was the scope of this study.

Udegbe (2017) explored the impact of market orientation practice on the business performance of airline operators in Nigeria. The examination applied a survey research design with questionnaires administered to 400 participants drawn from the airline operators. The data collected was analyzed using descriptive statistics and regression analysis. The study showed that market orientation and implementation of marketing strategies were widely utilized within the firm. The study showed that the introduction of product loyalty programs, premium pricing, superior customer service, effective communication with partners/customers, and responding to market needs was critical to business performance. To improve on this earlier study, this research studied how strategic choices impact the performance of airline firms in Kenya.

Mokaya, Kanyagia, and M'Nchebere (2017) conducted a study on the effect of market positioning on organizational performance in the airline industry in Kenya. The study adopted a mixed research approach with quantitative and qualitative data collected from 215 respondents drawn from staff and customers. The study applied content analysis, Pearson correlation, and regression analysis. The study indicated that market positioning had a positive effect on the performance in the airline industry. The findings showed that pricing strategies significantly influenced perceived service quality, differentiated benefits, innovation, and organizational performance. The study also indicated that target marketing and segmentation practices were integral to firm performance. The examination only focuses on market positioning, while the current study incorporated how innovation and differentiation strategies impact the performance of airline firms in Kenya.

Mungai and Bula's (2018) study focused on the turnaround strategies and performance of Kenya Airways. The review adopted a descriptive research design with research data collected using

quantitative techniques. The collected data was then analyzed using both quantitative and qualitative methods. Findings revealed that revenue-generating strategy, cost reduction strategy, asset reduction strategy, and financial restructuring affected the performance of Kenya Airways positively and contributed a lot to its turnaround. The study revealed that expansion to regional markets, incentives for airline agents, and customer loyalty programs would improve the competitiveness of the airline. The review only focused on the national carrier, while this research studied the performance of all domestic airlines in Kenya.

Abdirahman (2017) studied the effect of turnaround strategies on the performance of Kenya Airways. The study was anchored on a descriptive approach, with primary data being utilized in solving the study problem. The analysis showed that the poor performance of the airline was a result of poor ticket pricing and distribution channels, which made customers prefer competitor airlines. Findings also showed that the airline suffered from poor routing arrangements, strategic partnerships, costs management, and fleet management. The study concluded that turnaround strategies could be key to improving the performance of the airline. The study, however, does not focus on how innovation and differentiation strategies can impact the performance of the general domestic airline industry.

#### **2.3.4 Innovative Strategies and Organizational Performance**

Razak and Murray (2017) defined product innovation strategies as those strategies which involve the introduction of new products that improve the quality of business output. Market innovation strategies involve the adoption of new marketing strategies including making changes in the product pricing, packaging, design, placement, or promotion strategies (Rosli & Sidek, 2013). Business innovation is, therefore, the incorporation of new thoughts, products or processes, management practices, marketing, or any feature in the organization with the aim of generating higher value. Innovation can be in the form of product innovation, service offering innovation, mobile and blockchain technologies adoption, digital platforms among others (Grimpe et al., 2017).

In research of emerging economies, Yan, Cui, and Gil (2016) conducted a study assessing the impact of environmental innovation in the airline industry. The study relied on secondary data from 40 airline companies focusing on their financial performance and operational efficiency. The findings illustrated that technology-based and process-based innovation had a significant influence on the revenue generation within the airline; however, only process innovations positively influenced profitability. The study showed that overall, the technology- and process-based environmental innovations had a negative influence on the financial performance of the

firms but a positive effect on operational efficiency. The current study is, however, centered on Kenyan domestic airlines and sought to determine the link between strategic choices and the performance of the firms.

Al-Romeedy (2019) studied strategic agility as a competitive advantage in airlines. The study adopted a case study review of Egypt Air. The research employed a quantitative approach with 300 employees from Egypt air considered in the study. The examination adopted questionnaires in the data collection. The study indicated that there was high agility within the company. The study indicated that strategic agility was key to the competitive advantage of the firm through improving service delivery, process flexibility, and innovation capacity. The study did not focus on how innovation impacts airline performance, which is a central theme of this study.

Orji, Kusi-Sarpong, Gupta, and Okwu (2019) conducted an evaluation of the challenges of implementing eco-innovation for freight logistics sustainability in Nigeria. The study employed survey findings and results depicted that lack of funds, clarity, poor infrastructure, and employee attitudes affected the implementation of eco-innovation practices. The study noted that the integration of eco-innovation is vital to achieving the sustainability of air and sea freight companies. The study is, however, different in scope to current research, which reviews the performance of domestic airline firms in Kenya.

Chepkemboi and Paul (2019) analyzed the association between disruptive innovation strategies and the performance of selected airlines in Kenya. The study focussed on Kenya Airways, Jambojet, and Fly540, with 120 staff members being considered in the research. The study applied a Likert scale in the data collection with both descriptive analysis and inferential analysis utilized. The findings showed that mobile technology adoption, digital platforms, and blockchain technology were vital to the performance of the select airliners. The study noted that the firms lagged behind in deploying blockchain technology; however, reliance on digital platforms and mobile technology has been key to improving the firm's position in the face of intense competition from international airlines. The study did not take into consideration how market penetration of differentiation strategies influence performance, which was examined in this study.

Kamau (2019) explored the effect of response strategies on the performance of the airline. The examination employed a descriptive research design focusing on Kenya Airways Limited. The sample size for the study was 93 staff drawn from the company, with questionnaires being adopted in the data collection. The study findings showed that 38.1% of the performance of the firm was determined by the deployment of ICT (Information communication technology). The findings showed computer automation had led to improved speed in service delivery, better decision making, and saves on time. The study revealed that ICT usage has been critical to better

coordination, communication, and the creation of networks with the firms' strategic partners. This study focused on previous research by incorporating more domestic airlines in the examination of their performance.

## 2.4 Research Gaps

The study sought to focus on the various gaps identified in the review of the empirical studies. The research provides the following summary of the key study gaps. Kamau (2019) in his study focused on response strategies within KQ and noted that automation had led to improved speed in service delivery, better decision making, and saves on time. The current study focused on previous research by incorporating more domestic airlines in the examination of their performance. Similarly, Abdirahman (2017) focused on turnaround strategies at KQ and revealed that the airline suffered from poor routing arrangements, strategic partnerships, costs management, and fleet management. The study, however, does not focus on how innovation and differentiation strategies can impact the performance of the general domestic airline industry. In another research study, Chepkemboi and Paul (2019) noted that mobile technology adoption, digital platforms, and blockchain technology were vital to the performance of select airliners. The examination however did not expound on how market penetration of differentiation strategies influence performance, which was examined in this study.

**Table 2.1 Summary of Research Gaps**

Author	Title of study	Findings	Research Gap	How the current study addressed the gap
Chepkemboi and Paul (2019)	Association between disruptive innovation strategies and the performance of selected airlines in Kenya	The findings showed that mobile technology adoption, digital platforms, and blockchain technology were vital to the performance of the select airliners.	The study did not take into consideration how market penetration of differentiation strategies influence performance.	This research analyzed on more strategic choices and how they impact the performance of the domestic airline industry as a whole.
İzzet, Akif, and Emre (2013)	Focused on the competition strategies of the airline companies in Turkey	The investigation noted that competitive strategy implementation is a key factor in performance in the airline industry.	The research focus is on firms in a European nation, while this investigation analyzed mostly on the domestic airline firms operating in Kenya.	The current study analyzed on how strategic choices have influenced the performance of local airlines
Mokaya, Kanyagia, and M'Nchebere (2017)	Effect of market positioning on organizational performance in the airline industry in Kenya	The study indicated that market positioning had a positive effect on the performance of the airline industry	The examination only focuses on market positioning strategies in the airline industry.	This research focused on this and incorporate how innovation and differentiation strategies impact the performance of

				airline firms in Kenya.
Omwoyo (2016)	The effects of generic strategies on the competitive advantage of firms	The findings indicated that the adoption of cost leadership and differentiation strategies were critical to the airline firm's competitiveness	The examination is only focused on a few airline firms in Kenya. The current study focused on this and examine the performance of all domestic airlines in Kenya.	This study considered all operational airlines and studied their performance not competitive advantage.
Orji, Kusi-Sarpong, Gupta, and Okwu (2019)	Evaluation of the challenges of implementing eco-innovation for freight logistics sustainability in Nigeria	The study noted that the integration of eco-innovation is vital to achieving the sustainability of air and sea freight companies.	The study is, however, different in scope to current research, which reviews the performance of domestic airline firms in Kenya	This study analyzed on the performance of the domestic airline industry in Kenya.

Source: Researcher (2022)

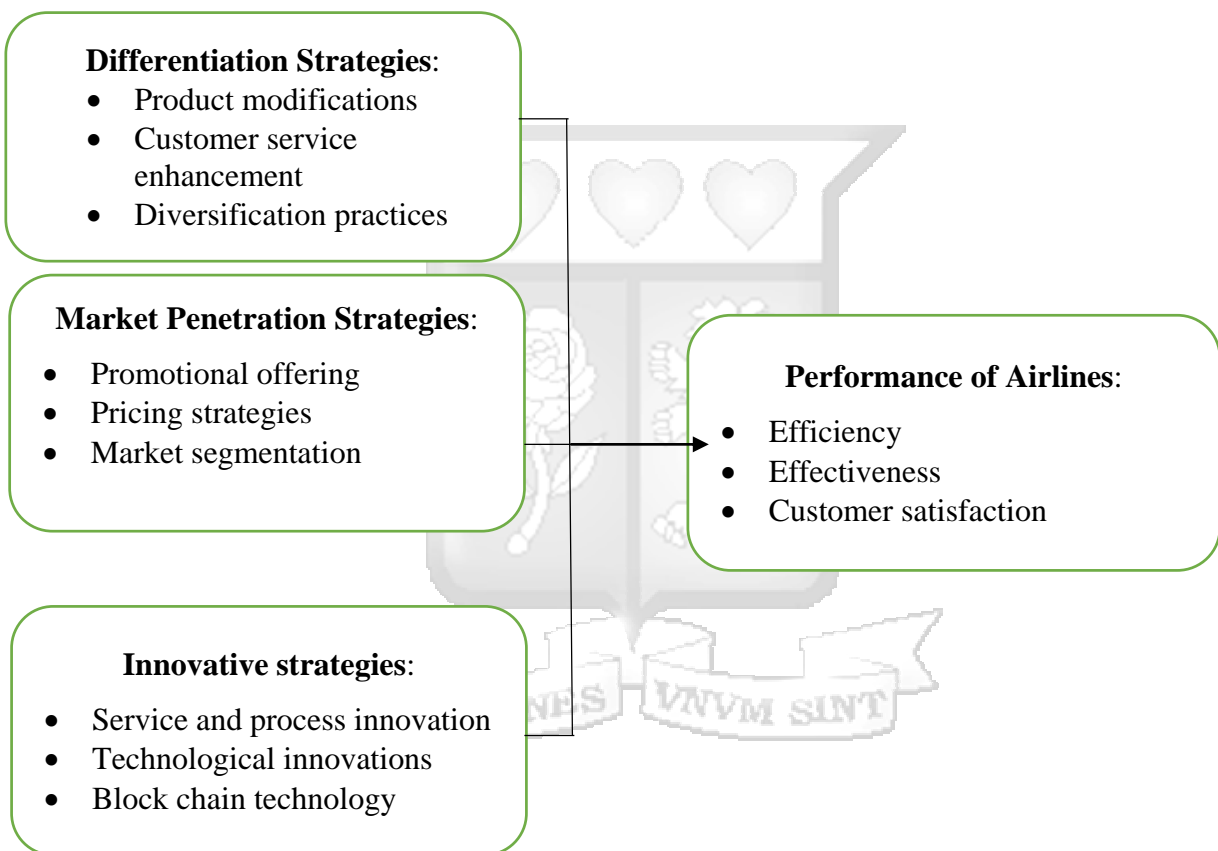


## 2.5 Conceptual Framework

Conceptual framework refers to a visual or written relationship between various variables often derived from one or more theories and traces the input-process-output paradigm of the study (Saunders, Lewis & Thornhill 2019). In the current study, the conceptual framework sought to identify the interaction between strategic choices and the performance of domestic airline firms in Kenya.

### Independent Variables

### Dependent Variable



**Figure 2.1 Conceptual Framework**

(Source: Researcher, 2022)

The above conceptual framework identifies the conceptualized interaction between strategic choices, differentiation strategies, innovative strategies, and market penetration strategies. The performance of domestic airlines is conceptualized based on qualitative measures.

### 2.5.1 Operationalization of Variables

The operationalization of the study variables allows for the presentation of the construct's measurement, analysis, and supporting literature. The table below represents the various aspects of variable operationalization.

**Table 2.2 Operationalization of Research Variables**

Variable	Indicators	Data collection tool	Data analysis	Supporting Literature
<b>Differentiation Strategies</b>	<ul style="list-style-type: none"> <li>Product modifications</li> <li>Customer service enhancement</li> <li>Diversification practices</li> </ul>	Structured questionnaire; 5-point Likert scale	Descriptive, factor, and inferential analysis	(İzzet, Akif, & Emre, 2013; Omwoyo, 2016; Farah, Munga, & Mbebe, Influence of competitive strategies on performance of commercial airlines in Kenya: A survey of the airline industry in Kenya. , 2018)
<b>Market Penetration Strategies</b>	<ul style="list-style-type: none"> <li>Promotional offering</li> <li>Pricing strategies</li> <li>Market segmentation</li> </ul>	Structured questionnaire; 5-point Likert scale	Descriptive, factor, and inferential analysis	(Udegbe, 2017; Mokaya, Kanyagia, & M'Nchebere, 2017; Mungai & Bula, 2018)
<b>Innovative strategies</b>	<ul style="list-style-type: none"> <li>Service and process innovation</li> <li>Technological innovations</li> <li>Blockchain technology</li> </ul>	Structured questionnaire; 5-point Likert scale	Descriptive, factor, and inferential analysis	(Al-Romeedy, 2019; Chepkemboi & Paul, 2019; Kamau B. C., 2019)
<b>Performance of Airlines</b>	<ul style="list-style-type: none"> <li>Efficiency</li> <li>Effectiveness</li> <li>Customer satisfaction</li> </ul>	Structured questionnaire; 5-point Likert scale	Descriptive, factor, and inferential analysis	(ICAO, 2017; Thendu, 2020)

**Source: Researcher (2022)**

### 2.6 Chapter Summary

Chapter two of the study focused on the review of the extant literature covering both theoretical and empirical aspects of the research. The study was informed by the contingency theory which grounded selection of the strategic choices and the balance scorecard model which anchored the organization performance aspect of the domestic airlines. Further, various empirical studies were reviewed in line with the study themes and the gaps the research solved were presented in the

summary of the research gaps. Lastly, a conceptualization of the variables and operationalization was presented.



## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter is central to the research process as it portrays the various methodologies and approaches that guided the review. The chapter focused on the research philosophy, the design, population, and sampling design. Further research instruments, procedures, and data analysis are presented in this chapter.

#### 3.2 Research Philosophy

According to Holden and Lynch (2004), a research philosophy is a foundation on which data about a phenomenon should be gathered, analyzed, and interpreted. Positivist believes that reality is stable and provides an objective reality upon which research assertions can be validated (Sekaran & Bougie, 2016). Upagade and Shende (2012) assert that the positivist position is based on natural science and allows for the testing of hypotheses through the measurement of observable social realities. Positivism was critical in this study because it limits the role of the researcher to data collection and interpretation through an objective approach, and the research findings are usually observable and quantifiable. This philosophy was central to the study seeking to identify the effect of the independent variables on the dependent variable.

##### 3.2.1 Research Design

According to Upagade and Shende (2012), a research design is a definite structure that sets out the procedures and condition for the collection and analysis of data in a manner that combine relevance to the research purpose with economy in procedure. This study adopted a quantitative descriptive research design. According to Kothari and Gaurav (2014), descriptive research sought to explain and account for descriptive information, looks for causes and reasons, and provides evidence to support or refute an explanation or prediction. Furthermore, the descriptive research design is strongly recommended in the study as it was possible to interrogate the what questions posited in the study to establish how the phenomena of the study interact (Zikmund, Babin, Carr, & Griffin, 2013).

#### 3.3 Population of the Study

According to Kombo and Tromp (2009), population refers to an entire group of individuals, events or objects, or items having a common observable, measurable characteristic. The population of this study was drawn from registered domestic airline firms in Kenya. The study relied on registered firms with KCAA. The population of the study was the 43 domestic airlines operating in Kenya as of 2020. By focusing on the registered domestic airlines firms the study

was able to focus on the operational firms that will offer vital information that can be utilized in solving the study problem.

**Table 3.1 Population of the study**

<b>Personnel</b>	<b>Population Number</b>
Managing Director	43
Marketing Manager	43
Chief Technology Officer	43
<b>Population of the study</b>	<b>129</b>

### **3.4 Sampling Design**

According to Sekaran and Bougie (2016), a sampling frame is a physical or listed representation of all the elements in a population from which the sample is drawn. The sample frame for this research was drawn from the 43 registered domestic airline firms operating in Kenya. A sample is a subgroup that is carefully selected to be representative of the whole population with certain characteristics (Kombo & Tromp, 2009). Samples are collected, and statistics calculated so that one can make inferences from the sample of the population (Zikmund, Babin, Carr, & Griffin, 2013). The study targeted the senior management staff within the organizations as they have relevant knowledge on the various aspects of strategic choices and performance of domestic airline firms in Kenya. The survey utilized a judgmental sampling in selecting participants from the senior management staff within the selected domestic airlines in Kenya. This approach was adopted in the survey to ensure that only the members of the institutions who met the professional qualification needed were included to participate in the survey. The sample size for the study was determined using a census approach; thus, a total of 129 participants.

### **3.5 Data Collection Instruments**

As noted by Cooper and Schindler (2011), the quality of any research findings depends on the choice and the design of the data collection instrument used. As such, this study dominantly utilized primary research data. The instrument to be applied in this study was a structured questionnaire with a 5-point Likert scale utilized in the instrument. The first part of the instrument collected background information on the participants, the second part have statements on the performance of domestic airline firms, and the third section studied the differentiation, market penetration, and innovative strategies. The questionnaire was constructed based on the conceptualization of the study variables. The questionnaires were administered using a drop and pick later method to all the respondents. All the respondents were reached out individually as per

the sample of the study. A register was maintained, which was used to track the movement of the questionnaires that are administered to the respondents.

### 3.6 Research Quality

The study pretested the quality of the study instruments with 9 (10% of the sample) staff members who included in the final research. This was integral to the reliability and validity tests of the research instrument. The pilot tests of the study were conducted among participants from the domestic airline firms who were not involved in the final research survey.

#### 3.6.1 Reliability Tests

In order to test the reliability of the instruments, internal consistency techniques were applied using Cronbach’s Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. A coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Kothari & Gaurav, 2014). The study used the above Cronbach tests to assess the internal consistency of the research instrument.

**Table 3.2 Reliability Statistics**

Variable	N	Cronbach Alpha
Operational performance	12	0.746
Differentiation strategies	12	0.715
Market penetration strategies	12	0.780
Innovative strategies	12	0.820

The study only considered variables that have a Cronbach score of above 0.7 as indicated by Kothari and Gaurav above. The results supported the adoption of the study instrument since results shown in Table 3.2 above showed the study met the internal consistency requirements.

#### 3.6.2 Validity Tests

Validity is used to check whether a questionnaire is measuring what it purports to measure (Cooper & Schindler, 2011). Content validity was employed in this study as a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. The study analyzed the expert contributions of the supervisor to comment on the representativeness and suitability of questions and give suggestions of corrections to be made to the structure of the research tools. The study utilized the results of the pilot tests to test for the sampling adequacy of the research instrument.

### 3.7 Data Analysis and Presentation

Quantitative data was analyzed using descriptive analysis and inferential analysis techniques with the help of Statistical Packages for Social Sciences (SPSS Version 23). Descriptive analysis included percentages, frequencies, means, standard deviations, and median scores was done. Inferential statistics included multiple regression analysis and correlation to estimate the level of association between the research variables. The analyzed data was presented using charts and tables, as well as other infographics deemed appropriate. The regression equation estimated in the survey is as stated below;

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where;

Y = Dependent variable (performance of the airline industry)

$\alpha$  = the model intercept

$\beta_{1-4}$  = Coefficient of independent variables

$X_1$  – differentiation strategies

$X_2$  – market penetration strategies

$X_3$  – innovative strategies

$\varepsilon$  = Error Term

The study conducted ANOVA testing to determine the statistical significance of the regression model. To ensure the study meets the requirements of multiple linear regression, diagnostic assumption tests such as collinearity, normality, autocorrelation, and heteroscedasticity was applied to the research data.

### 3.9 Ethical Considerations

The study made sure that all research approvals are obtained. The researcher obtained permission from the university's institutional review committee before embarking on the research. Clearance from NACOSTI was key before collecting the data. The study prepared an informed participant consent form that each respondent was required to sign before taking part in the research. The study used research assistants who was trained on the particulars of the study and informed on ethical practices. The study used an introduction letter that guided the respondents on the objectives of the study. The research assistants informed the respondents of their choice to withdraw from responding to any questions that they feel uncomfortable responding to. Further, the respondents were assured that the research only used for academic purposes and that the responses remained confidential and anonymous.

### 3.10 Chapter Summary

This chapter summarized the various methodological approaches that were adopted in the course of investigating the study problem. The chapter showed the philosophy that was adopted in the survey, the design guiding the research and population of interest. Further, the sampling procedures and various data collection techniques and instruments were reviewed. The chapter outlined the research quality processes adopted and the analysis techniques that were used and lastly the ethical considerations observed were presented.



## CHAPTER FOUR

### PRESENTATION OF RESEARCH FINDINGS

#### 4.1 Introduction

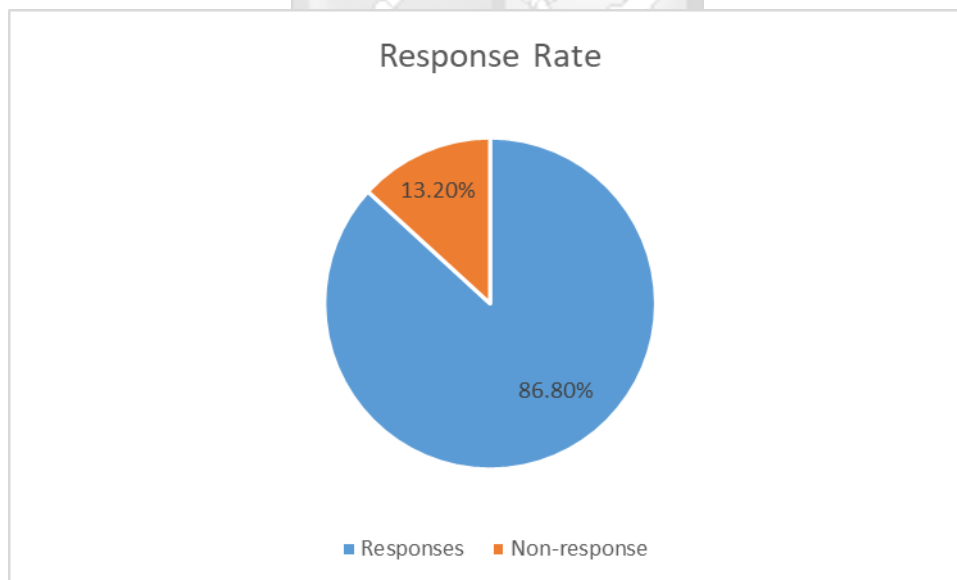
This chapter presents the results derived from the analysis of the collected study data. The first part of the chapter contains the response rate and the general information of the respondents. The second part contains responses on the operational performance of the domestic airlines; this is followed by discussion of the results in line with the objectives of the research. The last section presented findings on the overall regression model estimated in the study.

#### 4.2 Response Rate and General Information of Respondents

This section of the report presents the response rate and general information of respondents with descriptive tests such as frequencies and percentages used in the analysis.

##### 4.2.1 Response Rate

The study distributed 129 physical and electronic questionnaires to the 43 domestic airlines operating within Wilson Airport, Jomo Kenyatta International Airport and Moi International Airport. The selection of the facilities was because most of the domestic airlines are domiciled there with their main headquarters and operation grounds. The research was able to obtain 112 responses representing 86.8% response rate with 17 questionnaires not returned accounting for 13.2% response rate has shown below;



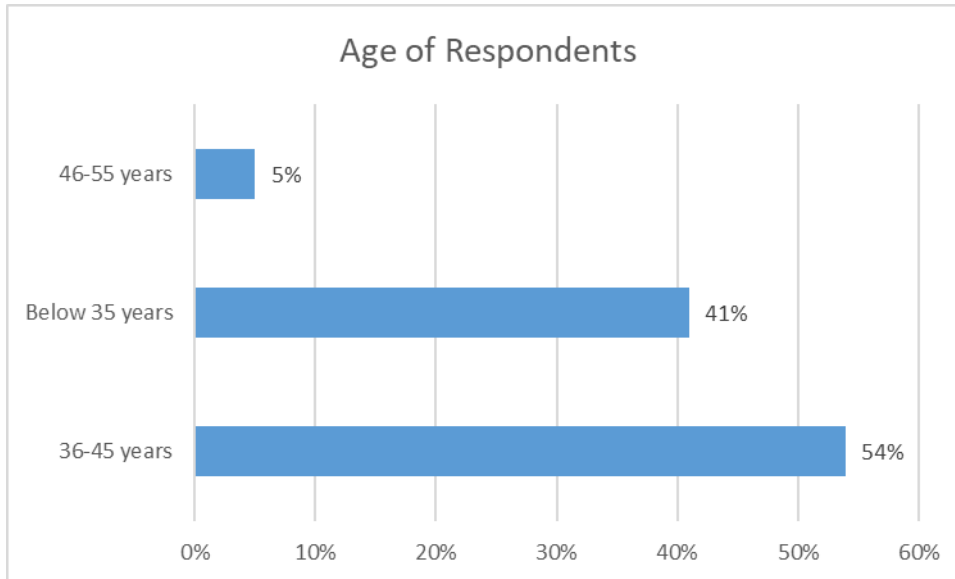
**Figure 4.1 Response Rate**

##### 4.2.2 General Information of Respondents

This section presented information on the respondent's profile including their age, gender, education attainment, length of time working at the airline and the department represented by the participants.

#### 4.2.2.1 Age of Respondent

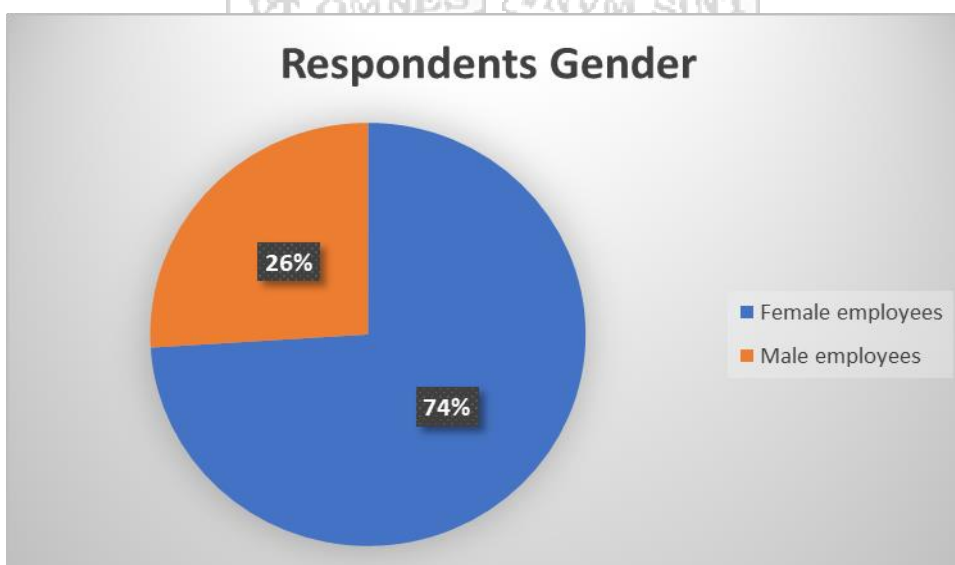
The respondents were asked to indicate their age profile and analysis showed, 54% (n= 60) were of age 36-45 years, 41% (n= 46) below 35 years of age and 5% (n= 6) between 46-55 years of age. The results showed the domestic airline had a diverse age representation within their workforce.



**Figure 4.2 Age of Respondents**

#### 4.2.2.2 Gender of Respondents

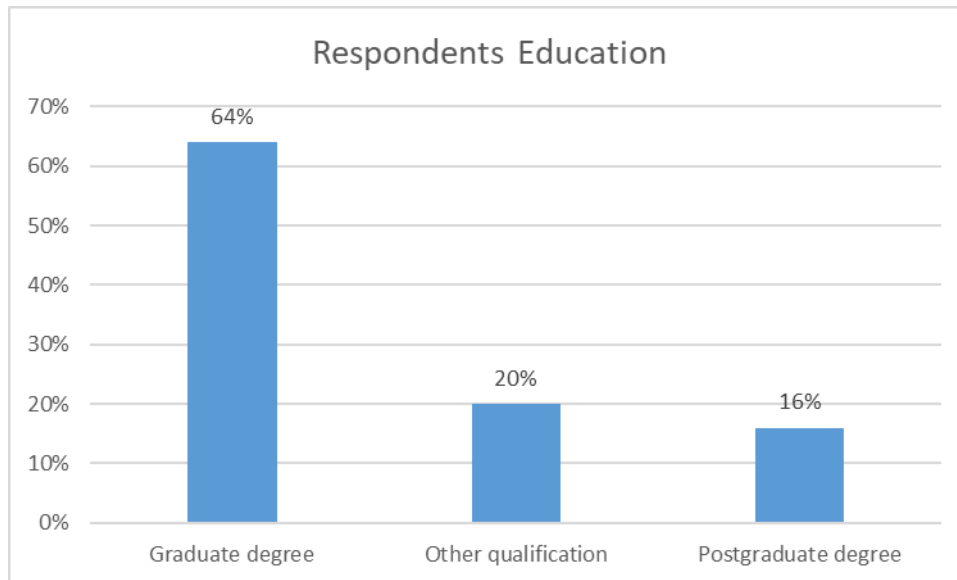
The study examined the gender of the participants and the review of the data collected established that 74% (n=83) of the respondents were female employees with 26% (n=29) being male employees in the airline. This demonstrated there was a high presence of female employees within the airline firms.



**Figure 4.3 Gender of Respondents**

#### 4.2.2.3 Education Attainment of Respondents

The research sought to determine the highest level of education attained by the various managers who responded to the study and results indicated that 64% (n = 72) had a graduate degree, 16% (n=18) had a postgraduate with 20% having other forms of education qualification. The results established there is diverse education attainment with majority of the respondents having a graduate degree qualification.



**Figure 4.4 Education of Respondents**

#### 4.2.2.4 Length of time working in Domestic Airline Industry

The survey examined the number of years the managers have been working within the domestic airlines in Kenya and findings are shown in the Table 4.1 below.

**Table 4.1 Years working in Domestic Airline Industry**

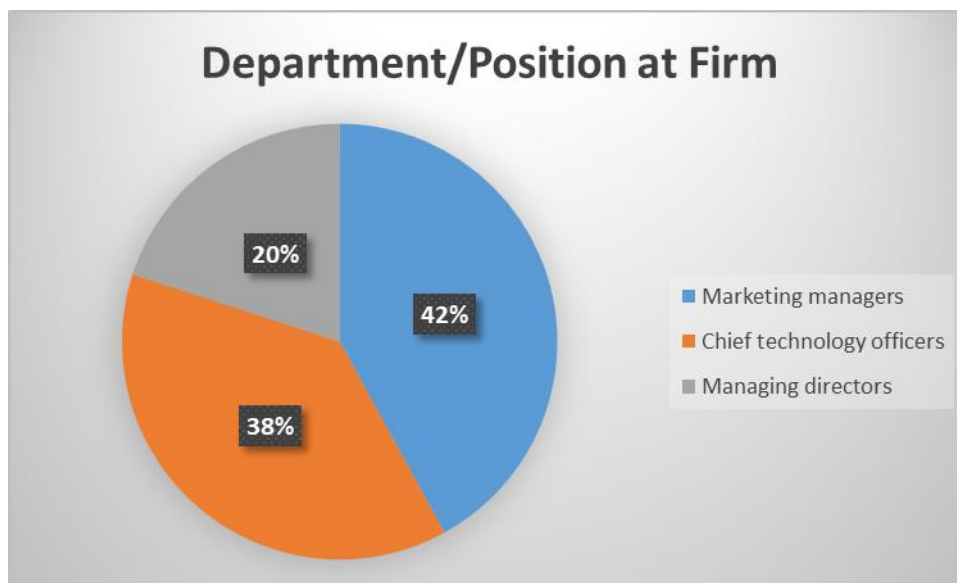
	Frequency	Percent
Below 5 years	14	12.5
6-10 years	63	56.3
11-15 years	35	31.3
Total	112	100.0

The results found out that 56% (n= 63) of the personnel who responded have worked within the firms for 6-10 years while 31% (n= 35) for 11-15 years and 13% (n= 14) for less than 5 years. This showed the participants had sufficient knowledge on the operations of the domestic airlines owing to their vast experience working within the firms.

#### 4.2.2.5 Departments represented within the Domestic Airlines

The research analyzed the position held by the respondents within the organization and the results showed that 42% (n= 47) were marketing managers, 38% (n= 42) identified as chief technology

officers and 20% (n=23) of the participants were the managing directors. The results show the participants were from the top-level management team hence could hold vital information on how strategic choices have influenced the performance of their firms.



**Figure 4.5 Department in Domestic Airline**

### 4.3 Descriptive Analysis

#### 4.3.1 Operational Performance of Domestic Airlines

The respondents were asked to rate their response on the operational performance of the domestic airline firms based on a five-point Likert scale on which, 1 = Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree; 5 = Strongly Disagree. Data was analyzed and the mean scores were interpreted as, 1 – 1.49 = strongly disagree, 1.5 – 2.49 = disagree, 2.5 – 3.49 = moderately agree, 3.5 – 4.19 = agree and 4.20 – 5.0 = strongly agree.

**Table 4.2 Operational Performance**

	N	Mean	Std. Deviation
Our firm has witnessed an improvement in operational efficiency and service improvement	112	3.9018	1.04803
Our firm has seen a consistent growth in the domestic air traffic and cargo handling	112	3.9554	1.03444
Our firm is constantly reviewing new routes to improve our destination locations	112	3.8839	.98407
Our firm has developed a service charter to ensure there is an improvement in the service delivery	112	3.9554	.98993
Our firm ensures there is constant improvement of service offering to enhance the satisfaction of our customers	112	3.8929	1.10980
Our firm has witnessed an improved retention of our customer base as evidenced by positive customer traffic	112	3.8929	.96195
<b>Overall score</b>		<b>3.9137</b>	<b>1.0213</b>

The respondents did agree the firm has developed a service charter to ensure there is an improvement in the service delivery, mean = 3.9554 and SD = .98993. A mean = 3.9554 with high SD = 1.0344 revealed agreement among respondents the firm has seen a consistent growth in the domestic air traffic and cargo handling. The findings revealed respondents agree the firm has witnessed an improvement in operational efficiency and service improvement, mean = 3.9018 and SD = 1.048. Results show agreement the firm has witnessed an improved retention of our customer base as evidenced by positive customer traffic, mean = 3.8929 and SD = .96195. The overall mean for operational performance indicated participants were in agreement that the domestic airlines firms were performing quite well (M = 3.9137, Dev = 1.0213).

### 4.3.2 Differentiation Strategies

The respondents were asked to rate their response on the differentiation strategies executed by the domestic airline firms based on a five-point Likert scale on which, 1 = Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree; 5 = Strongly Disagree. The summary of the analysis is shown in Table 4.3 below.

**Table 4.3 Differentiation Strategies**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our firm regularly modifies our products to ensure we are ahead of our rivals	112	3.9554	1.01687
Our firm continuously reviews our service offering to ensure it's consistent with best global practices	112	3.9911	1.03537
Our firm has developed engagement channels that ensure customer complaints are handled promptly	112	4.0000	.95860
Our firm ensures that staff are trained in customer handling to ensure customer service is top-notch	112	4.3036	.76922
Our firm regularly reviews our service quality to ensure that we meet customer demands and standard practices	112	3.9643	.95793
The firm continuously reviews the market for diversification opportunities that can expand our product and service offering	112	3.8929	1.00769
<b>Overall score</b>		<b>4.0179</b>	<b>0.9576</b>

The results noted strong agreement mean = 4.3036 and SD = .76922 the firm ensures that staff are trained in customer handling to ensure customer service is top-notch. A mean = 4.00 and SD = .9586 signified agreement among respondents the firm has developed engagement channels

that ensure customer complaints are handled promptly. The analysis revealed agreement, mean = 3.9911 and SD = 1.0353 the firm continuously reviews our service offering to ensure it's consistent with best global practices. The respondents agreed as shown by mean = 3.8929 and SD = 1.0076 the firm continuously reviews the market for diversification opportunities that can expand our product and service offering. The analysis showed that respondents drawn from the domestic airlines were in agreement the firm had achieved improved differentiation strategy execution as shown by Mean = 4.0179, Dev = 0.9576.

### 4.3.3 Market Penetration Strategies

The respondents were asked to rate their response on the market penetration strategies adopted by the domestic airline firms based on a five-point Likert scale on which, 1 = Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree; 5 = Strongly Disagree. The summary of the analysis is shown in Table 4.4 below.

**Table 4.4 Market Penetration Strategies**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our firm has developed loyalty programs to ensure there is increased patronage of our services	112	4.0714	.93688
The firm regularly conducts promotional activities to enhance the demand for our services	112	3.8661	1.01782
The firms adopt premium pricing to ensure that our services are viewed favorably than our competitors	112	3.6161	1.05049
The firm ensures that cost leadership strategies are adopted when the firm can leverage on the competitive edge	112	3.7589	.90290
The firm has adopted target marketing to ensure we reach the intended clientele	112	3.8571	1.02101
The firm conducts segmentation practices to ensure that service offering is focused on the various customer needs	112	3.7857	.95322
The firm has been undertaking expansion activities to expand our market share	112	3.7679	1.03089
<b>Overall Score</b>		<b>3.8176</b>	<b>0.9876</b>

The results demonstrated agreement, mean = 4.0714 and SD = .93688 the firm has developed loyalty programs to ensure there is increased patronage of our services. Analysis showed a computed mean = 3.8661 and SD = 1.01782 signifying agreement the firm regularly conducts

promotional activities to enhance the demand for our services. The study respondents agreed that the firm conducts segmentation practices to ensure that service offering is focused on the various customer needs as noted by mean = 3.7857 and SD = .95322. The examination revealed agreement, mean = 3.7679 and SD = 1.03089 the firm has been undertaking expansion activities to expand our market share. The overall findings were an indication that domestic airlines have been able to execute market penetration strategies as shown by Mean = 3.8176, Dev = 0.9876.

#### 4.3.4 Innovative Strategies

The respondents were asked to rate their response on the innovative strategies adopted by the domestic airline firms based on a five-point Likert scale on which, 1 = Strongly Agree; 2 = Agree; 3 = Neutral; 4 = Disagree; 5 = Strongly Disagree. The summary of the analysis is shown in Table 4.5 below.

**Table 4.5 Innovative Strategies**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our firm has been leveraging on social networks to improve our market appeal and customer reach	112	3.9107	.98231
The firm has been utilizing digital platforms to expand on the marketing channels	112	3.9821	.99532
The firm relies on digital platforms to improve our customer engagement and relations management	112	3.7232	.98831
The firm has undertaken automation of our services to enhance the convenience and ease of service availability	112	3.5625	1.15299
The firm is continuously assimilating technological innovations in the core business operations to enhance process efficiency	112	3.7232	1.01529
The firms have taken steps to integrate block chain technologies to expand efficiency and utilization of digital analytics	112	3.5089	1.19304
The firms leverage on technology to conduct data mining that can be utilized to enhance decision making	112	3.6607	1.11947
<b>Overall Score</b>		<b>3.7245</b>	<b>1.0638</b>

The feedback obtained, mean = 3.9821, SD = .99532 noted agreement the firm has been utilizing digital platforms to expand on the marketing channels. The results showed agreement, mean = 3.9107 and SD = .98231 the firm has been leveraging on social networks to improve our market appeal and customer reach. The respondents revealed consensus, mean = 3.6607 and SD =

1.11947 the firms leverage on technology to conduct data mining that can be utilized to enhance decision making. A computed mean = 3.5625 and SD = 1.15299 revealed agreement the firm has undertaken automation of our services to enhance the convenience and ease of service availability. The overall mean signified an agreement across participants (Mean = 3.7245, Dev = 1.0638) the firms have attained innovative capacity in their operations.

#### 4.4 Inferential Analysis

##### 4.4.1 Effect of Differentiation Strategies on Operational Performance

##### 4.4.1.1 Correlation between Differentiation Strategies and Operational Performance

Correlation analysis was carried out to establish the relationship between the independent variable (differentiation strategies) and dependent variable (operational performance of domestic airlines). The results are presented in Table 4.4.

**Table 4.6 Correlation Differentiation Strategies and Operational Performance**

		<b>Operational Performance</b>	
Spearman's rho	Operational Performance	Correlation Coefficient	1.000
		Sig. (1-tailed)	.
		N	112
	Differentiation Strategies	Correlation Coefficient	.835**
		Sig. (1-tailed)	.000
		N	112

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The correlation tests above showed there existed a significant and strong positive effect of differentiation strategies on the operational performance of domestic airline firms in Kenya,  $r(0.835)$ ; sig-value  $< 0.000$ .

##### 4.4.1.2 Regression between Differentiation Strategies and Operational Performance

Regression analysis was carried out in order to determine the underlying relationship that exists between the study variables both the independent and dependent variable. The summary of the regression findings is shown below.

**Table 4.7 Regression Summary Differentiation Strategies and Operational Performance**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.849 <sup>a</sup>	.721	.718	2.71631

a. Predictors: (Constant), Differentiation Strategies

The regression analysis deduced an R square value of (0.721). This implies that differentiation strategies represent (72.1%) variability in the operational performance of the domestic airlines with the remaining 28.9% is attributed to other factors not considered in the regression model.



**Table 4.8 ANOVA Summary Differentiation Strategies and Operational Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2096.349	1	2096.349	284.123	.000 <sup>b</sup>
	Residual	811.615	110	7.378		
	Total	2907.964	111			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), Differentiation Strategies

The ANOVA test findings presented in Table 4.8, show that the Fisher statistic value is 284.123 with a p-value of 0.000. This indicates that;  $F(1,110) = 284.123, p = 0.000$  (p-value < 0.000). This implies that there exists a substantial variance between the differentiation strategies and operational performance confirming a positive and significant relationship.

**Table 4.9 Regression Coefficient Differentiation Strategies and Operational Performance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.321	1.281		1.811	.073
	Differentiation Strategies	.878	.052	.849	16.856	.000

a. Dependent Variable: Operational Performance

Table 4.9 above presented the variable coefficients of the study, it reveals a beta coefficient for the variable calculated as, constant ( $\beta_0$ ) = 2.321 and beta for differentiation strategies ( $\beta_1$ ) = 0.878. The p-value for differentiation strategies was revealed as 0.000 ( $p = 0.000, p\text{-value} < 0.05$ ). The results revealed a positive and significant effect of differentiation strategies indicating that for every unit change in differentiation strategies, there will be a 0.878 unit change in operational performance of domestic airlines in Kenya.

#### 4.4.2 Effect of Market Penetration Strategies on Operational Performance

##### 4.4.2.1 Correlation between Market Penetration Strategies and Operational Performance

Correlation analysis was carried out to establish the relationship between the independent variable (market penetration strategies) and dependent variable (operational performance of domestic airlines). The results are presented in Table 4.9.

**Table 4.10 Correlation Market Penetration Strategies and Operational Performance**

		<b>Operational Performance</b>	
Spearman's rho	Operational Performance	Correlation Coefficient	1.000
		Sig. (1-tailed)	.
		N	112
	Market Penetration Strategies	Correlation Coefficient	.814**
		Sig. (1-tailed)	.000
		N	112

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The conducted correlation analysis between the two variables revealed there existed a significant and strong positive effect of market penetration strategies on the operational performance of domestic airline firms in Kenya,  $r(0.814)$ ; sig-value  $< 0.000$ .

#### 4.4.2.2 Regression between Market Penetration Strategies and Operational Performance

Regression analysis was carried out in order to determine the underlying relationship that exists between the study variables both the independent and dependent variable. The summary of the regression findings is shown in Table 4.10 below.

**Table 4.11 Regression Summary Market Penetration Strategies and Operational Performance**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.826 <sup>a</sup>	.682	.679	2.90053

a. Predictors: (Constant), Market Penetration Strategies

The regression tests showed an extracted R square value of (0.682). This implies that market penetration strategies represent (68.2%) variability in the operational performance of the domestic airlines with the remaining 27.8% is attributed to other factors not considered in the regression model.

**Table 4.12 ANOVA Summary Market Penetration Strategies and Operational Performance**

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	1982.527	1	1982.527	235.649	.000 <sup>b</sup>
	Residual	925.437	110	8.413		
	Total	2907.964	111			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), Market Penetration Strategies

The ANOVA findings presented in Table 4.12, show that the Fisher statistic value is 235.649 with a p-value of 0.000. This indicates that;  $F(1,110) = 235.649, p = 0.000$  (p-value < 0.000). This implies that there exists a substantial variance between the market penetration strategies and operational performance confirming a positive and significant relationship between the variables.

**Table 4.13 Regression Coefficients Market Penetration Strategies and Operational Performance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.987	1.363		2.191	.031
Market Penetration Strategies	.767	.050	.826	15.351	.000

a. Dependent Variable: Operational Performance

The regression analysis yielded a variable coefficient of the study that showed a beta coefficient for the variable calculated as, constant ( $\beta_0$ ) = 2.987 and beta for market penetration strategies ( $\beta_2$ ) = 0.767. The p-value for market penetration strategies was revealed as 0.000 ( $p = 0.000, p\text{-value} < 0.05$ ). The results revealed a positive and significant effect of market penetration strategies indicating that for every unit change in market penetration strategies, there will be a 0.767 unit change in operational performance of domestic airlines in Kenya.

#### 4.4.3 Effect of Innovative Strategies on Operational Performance

##### 4.4.3.1 Correlation between Innovative Strategies and Operational Performance

Correlation analysis was carried out to establish the relationship between the independent variable (innovative strategies) and dependent variable (operational performance of domestic airlines). The results are presented in Table 4.14.

**Table 4.14 Correlation Innovative Strategies and Operational Performance**

		Operational Performance	
Spearman's rho	Operational Performance	Correlation Coefficient	1.000
		Sig. (1-tailed)	.
		N	112
	Innovative Strategies	Correlation Coefficient	.807**
		Sig. (1-tailed)	.000
		N	112

\*\* . Correlation is significant at the 0.01 level (1-tailed).

The conducted correlation analysis between the two variables revealed there existed a significant and strong positive effect of innovative strategies on the operational performance of domestic airline firms in Kenya,  $r(0.807)$ ;  $\text{sig-value} < 0.000$ .

#### 4.4.3.2 Regression between Innovative Strategies and Operational Performance

Regression analysis was carried out in order to determine the underlying relationship that exists between the study variables both the independent and dependent variable. The summary of the regression findings is shown in Table 4.15 below.

**Table 4.15 Regression Summary Innovative Strategies and Operational Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 <sup>a</sup>	.620	.617	3.16809

a. Predictors: (Constant), Innovative Strategies

The regression tests showed an extracted R square value of (0.620). This implies that innovative strategies represent (62%) changes in the operational performance of the domestic airlines with the remaining 38% is attributed to other factors not considered in the regression model.

**Table 4.16 ANOVA Summary Innovative Strategies and Operational Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1803.918	1	1803.918	179.731	.000 <sup>b</sup>
	Residual	1104.046	110	10.037		
	Total	2907.964	111			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), Innovative Strategies

The ANOVA findings presented in Table 4.16, show that the Fisher statistic value is 179.731 with a p-value of 0.000. This indicates that;  $F(1,110) = 179.731$ ,  $p = 0.000$  ( $p\text{-value} < 0.000$ ). This implies that there exists a substantial variance between the innovative strategies and operational performance confirming a positive and significant relationship between the variables.

**Table 4.17 Regression Coefficients Innovative Strategies and Operational Performance**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.547	1.298		5.043	.000
	Innovative Strategies	.650	.048	.788	13.406	.000

a. Dependent Variable: Operational Performance

The resulting regression coefficients of the study variables showed a beta coefficient for the variable calculated as, constant ( $\beta_0$ ) = 6.547 and beta for innovative strategies ( $\beta_3$ ) = 0.650. The

p-value for innovative strategies was revealed as 0.000 ( $p = 0.000$ ,  $p\text{-value} < 0.05$ ). The results revealed a positive and significant effect of innovative strategies indicating that for every unit change in innovative strategies, there will be a 0.650 unit change in operational performance of domestic airlines in Kenya.

#### 4.5 Overall Regression Strategic Choices and Operational Performance

The main objective of the research was to establish the relationship between strategic choices and operational performance of domestic airlines in Kenya. The joint effect of the variables was estimated and the findings are showed below.

**Table 4.18 Regression Summary Strategic Choices and Operational Performance**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.890 <sup>a</sup>	.792	.786	2.36603	1.994

a. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Penetration Strategies

b. Dependent Variable: Operational Performance

The regression tests showed an extracted R square value of (0.792). This implies that strategic choices represent (79.2%) changes in the operational performance of the domestic airlines with the remaining 20.8% is attributed to other factors not considered in the regression model. This showed a positive relationship between strategic choices and operational performance of domestic airlines in Kenya.

**Table 4.19 ANOVA Summary Strategic Choices and Operational Performance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2303.371	3	767.790	137.152	.000 <sup>b</sup>
	Residual	604.593	108	5.598		
	Total	2907.964	111			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Penetration Strategies

The ANOVA findings presented in Table 4.19, show that the Fisher statistic value is 137.152 with a p-value of 0.000. This indicates that;  $F(1,110) = 137.152$ ,  $p = 0.000$  ( $p\text{-value} < 0.000$ ). This confirmed a positive and significant relationship between the strategic choices and operational performance of domestic airlines in Kenya.

**Table 4.20 Regression Coefficients Strategic Choices and Operational Performance**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.469	1.167		.402	.688
Differentiation Strategies	.477	.082	.462	5.852	.000
Market Penetration Strategies	.238	.082	.256	2.902	.004
Innovative Strategies	.198	.063	.240	3.161	.002

From the above results we can plot the final regression model for the study as follows;

$$Y = .469 + .477X_1 + .238X_2 + .198X_3 + 1.167$$

The resulting regression coefficients of the study variables showed a beta coefficient for the variable calculated as, constant ( $\beta_0$ ) = .469 and beta for differentiation strategies ( $\beta_1$ ) = .477,  $p = 0.000$ ,  $p\text{-value} < 0.05$ . The results revealed a positive and significant effect of differentiation strategies indicating that for every unit change in the variable, there will be a 0.477 unit change in operational performance of domestic airlines in Kenya.

The study findings revealed a beta for market penetration strategies ( $\beta_2$ ) = .238,  $p = 0.04$ ,  $p\text{-value} < 0.05$ . The results revealed a positive and significant effect of market penetration strategies indicating that for every unit change in the variable, there will be a 0.238 unit change in operational performance of domestic airlines in Kenya.

Lastly, the findings showed that a beta for innovative strategies ( $\beta_3$ ) = .198,  $p = 0.02$ ,  $p\text{-value} < 0.05$ . The results revealed a positive and significant effect of innovative strategies indicating that for every unit change in the variable, there will be a 0.198 unit change in operational performance of domestic airlines in Kenya.

#### 4.6 Chapter Summary

The fourth chapter presented the various findings that were derived from the analysis of the corrected research data. The research applied quantitative analysis techniques to meet the stated objectives of the research. The chapter mainly focused on the descriptive and inferential analysis. The overall research model showed that strategic choices do positively account for (79.2%) changes in the operational performance of the domestic airlines. The specific variable analysis showed that differentiation strategies had the highest positive and significant effect on the operational performance of the domestic airlines followed by market penetration strategies with

innovative strategies ranked last in terms of impact on the operational performance of the domestic airlines.



## CHAPTER FIVE

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

Chapter five highlights the discussion, conclusion and recommendations of the study. The first section presents the summary of the study, followed by the discussion, conclusions and finally the recommendations of the study.

#### 5.2 Summary

The performance of the domestic airline industry has been a matter of concern for management and policymakers in the industry. The domestic firms have faced increased competition from regional carriers which has impacted their overall performance resulting in limited destinations, cargo traffic and quality of services provided to customers. Further, the onset of the Covid-19 pandemic greatly disrupted the operations of the domestic airline industry in Kenya. Empirical studies have indicated that applying the right strategic choices can spearhead a turnaround and better performance within firms. However, there has not been much studies focusing on the area within the domestic airlines.

This research sought to establish if there is a relationship between strategic choices and operational performance of domestic airline firms. The study specifically reviewed the effect of differentiation strategies, market penetration strategies and innovative strategies on the operational performance. The survey adopted a positivism research philosophy with descriptive research design employed. The population of the study was the 43 domestic airline firms in the country with the top the managing director, marketing manager and chief technology officer sample for this survey. The study utilized structured questionnaire in the data collection with both electronic and physical questionnaires used in the data collection procedures. The study applied both descriptive and inferential tests on the collected study data.

The first objective reviewed the effect of differentiation strategies and the operational performance of domestic airline firms in Kenya. The correlation tests above showed there existed a significant and strong positive effect of differentiation strategies on the operational performance of domestic airline firms in Kenya,  $r (0.835)$ ; sig-value  $< 0.000$ . The regression beta for differentiation strategies ( $\beta_1$ ) = 0.878. The p-value for differentiation strategies was revealed as 0.000 ( $p = 0.000$ , p-value  $< 0.05$ ). The results revealed a positive and significant effect of differentiation strategies in operational performance of domestic airlines in Kenya.

The second objective reviewed the effect of market penetration strategies and the operational performance of domestic airline firms in Kenya. The conducted correlation analysis between the two variables revealed there existed a significant and strong positive effect of market penetration strategies on the operational performance of domestic airline firms in Kenya,  $r (0.814)$ ; sig-value  $< 0.000$ . The findings of the beta for market penetration strategies ( $\beta_2$ ) = 0.767. The p-value for market penetration strategies was revealed as 0.000 ( $p = 0.000$ , p-value  $< 0.05$ ). The results revealed a positive and significant effect of market penetration strategies in operational performance of domestic airlines in Kenya.

The third objective reviewed the effect of innovative strategies and the operational performance of domestic airline firms in Kenya. The conducted correlation analysis between the two variables revealed there existed a significant and strong positive effect of innovative strategies on the operational performance of domestic airline firms in Kenya,  $r (0.807)$ ; sig-value  $< 0.000$ . The analysis revealed a beta for innovative strategies ( $\beta_3$ ) = 0.650. The p-value for innovative strategies was revealed as 0.000 ( $p = 0.000$ , p-value  $< 0.05$ ). The results revealed a positive and significant effect of innovative strategies in operational performance of domestic airlines in Kenya.

### **5.3 Discussion**

This section presents a discussion of the findings. The study data was collected from the top-level management team of 43 domestic airlines operating within Wilson Airport, Jomo Kenyatta International Airport and Moi International Airport. The findings are presented in line with the objectives of the study. All the objectives were found to have a positive and significant effect on performance.

#### **5.3.1 Differentiation Strategies and Performance**

The first objective aimed to determine the influence of differentiation strategies on the performance of the airline industry in Kenya and found out that differentiation strategies had a positive and significant effect on performance. These study findings are supported by the contingency theory which argues that no best strategy can work in all organizations; further, there is no single strategy that can work in a single organization at all times. The study findings were similar to İzzet, Akif, and Emre (2013) who focused on the competition strategies of the airline companies in Turkey employing a qualitative approach with the population consisting of managers drawn from the airline companies in Istanbul. The study results showed various differentiation strategies including utilization of cost leadership, service quality measures, service

improvement, and product modifications, as well as technological changes, were integral to the firm performance.

Moreno-Izquierdo, Ramón-Rodríguez, and Ribes (2015) examined the impact of the internet on the pricing strategies of European low-cost airlines and indicated that the utilization of the internet allowed firms to differentiate their service offering and obtain relevant information, which guided the formulation of pricing strategies. The study findings were further supported by Kenyan studies including Omwoyo (2016) who conducted a study on select airlines in Kenya investigating the effects of generic strategies on the competitive advantage of firms. The findings indicated that creating customer values vis quality products, offering premium prices, utilization of emerging technologies, and meeting customer needs is critical to the competitive advantage of the firms.

Farah, Munga, and Mbebe (2018) also reviewed the influence of competitive strategies on the performance of commercial airlines in Kenya and revealed that competitive strategies are vital to institutional performance. Guandaru (2019) reviewed the strategies deployed by Fly 540 aviation company to sustain competitive advantage and noted that strategic responses by the firm, such as focus strategy and pricing (cost) leadership were key to competitive advantage. The research was limited to a single airline, while the current study reviews the performance of domestic airline firms in Kenya.

### **5.3.2 Market Penetration Strategies and Performance**

The second objective examined the influence of market penetration strategies on the performance of the airline industry in Kenya and found out that market penetration strategies had a positive and significant effect on performance. Hussain et al, (2013) reports that market penetration strategies are the results of a firm's managerial decisions, and are meant to offer value to customers. They identify price reduction strategies, terms improvement, expanded marketing, distribution channel expansion, and product differentiation. The study results were collaborated by Alaaraj, Mohamed, and Bustaman's (2018) who aimed to determine the link between external growth strategies and organizational performance in emerging markets in Malaysia. The findings established that employing strategic alliances, undertaking mergers, and acquiring other firms had a significant effect on firm performance.

Udegbe (2017) explored the impact of market orientation practice on the business performance of airline operators in Nigeria. The study showed that market orientation and implementation of marketing strategies were widely utilized within the firm especially with responding to market needs which was critical to business performance. In Kenya, Mokaya, Kanyagia, and

M’Nchebere (2017) conducted a study on the effect of market positioning on organizational performance in the airline industry in Kenya. The study indicated that market positioning had a positive effect on the performance in the airline industry significantly influencing perceived service quality, differentiated benefits, innovation, and organizational performance.

Mungai and Bula's (2018) study focused on the turnaround strategies and performance of Kenya Airways and revealed that revenue-generating strategy, cost reduction strategy, asset reduction strategy, and financial restructuring affected the performance of Kenya Airways positively and contributed a lot to its turnaround. Abdirahman (2017) also studied the effect of turnaround strategies on the performance of Kenya Airways. The study was anchored on a descriptive approach, with primary data being utilized in solving the study problem. The analysis showed that the poor performance of the airline was a result of poor ticket pricing and distribution channels and concluded that turnaround strategies could be key to improving the performance of the airline.

### **5.3.3 Innovative Strategies and organizational Performance**

Lastly, the study explored the influence of innovation strategies on the performance of the airline industry in Kenya and found out that innovative strategies had a positive and significant effect on performance. Study findings were supported by Yan, Cui, and Gil (2016) who conducted a study assessing the impact of environmental innovation in the airline industry with the findings illustrating that technology-based and process-based innovation had a significant influence on the revenue generation within the airline; however, only process innovations positively influenced profitability. Al-Romeedy (2019) studied strategic agility as a competitive advantage in airlines adopting a case study review of Egypt Air and indicated that strategic agility was key to the competitive advantage of the firm through improving service delivery, process flexibility, and innovation capacity.

Orji, Kusi-Sarpong, Gupta, and Okwu (2019) conducted an evaluation of the challenges of implementing eco-innovation for freight logistics sustainability in Nigeria and noted that the integration of eco-innovation is vital to achieving the sustainability of air and sea freight companies. Locally, Chepkemboi and Paul (2019) analyzed the association between disruptive innovation strategies and the performance of selected airlines in Kenya. The findings showed that mobile technology adoption, digital platforms, and blockchain technology were vital to the performance of the select airliners.

Kamau (2019) explored the effect of response strategies on the performance of the airline. The study findings showed that 38.1% of the performance of the firm was determined by the

deployment of ICT and that computer automation had led to improved speed in service delivery, better decision making, and saves on time. The study revealed that ICT usage has been critical to better coordination, communication, and the creation of networks with the firms' strategic partners.

#### **5.4 Conclusions**

The study findings led to the conclusion that operational performance of domestic airline firms in Kenya was significantly determined by the strategic choices adopted by the firms. The study results also concluded that differentiation strategies, market penetration strategies and innovative strategies separately had a positive and significant effect on performance of domestic airline firms.

The research through the first objective concluded that with application of differentiation strategies in domestic airline firms there will be a positive and significant effect on their performance. The research further revealed that regular and continuous product modification and review of services offered and their quality to ensure that the customer's demands are met is a major contributor to enhanced performance. The development of engagement channels by the airline companies to ensure effective handling of customer complaints has also contributed to enhanced performance. Some of these channels involve training of employees to enhance their customer service. The study also concluded that checking and reviewing the market for diversification opportunities to ensure that the companies expand their products and services offering is also vital for enhanced performance.

Findings on the second objective formed the basis for the conclusion that market penetration strategies had a positive and significant effect on performance. The study findings noted that conducting promotional activities and developing loyalty programs ensures increased demand for the airplane services thereby increasing performance. The study further revealed that adopting several strategies such as cost leadership strategies and premium pricing ensures that a firm's services have a competitive edge over other airlines. Airline companies, according to the study findings should conduct segmentation practices to ensure focused service offering to various customers needs. They also need to adopt target marketing strategies and undertake expansion activities to ensure an increased market share which will in turn increase performances of the airline.

The final objective of the study led to the conclusion that innovative strategies had a positive and significant effect on performance. The study findings further concluded that utilization and reliance of digital platforms to expand marketing channels and enhance customer engagements is a strategy that has recently become vital to enhancing performance. Firms can leverage on social networks to improve customer outreach and enhance their market appeal. The study further concluded that automation of services mostly through adopting technological innovations in core business operations has also become increasingly essential in enhancing efficiency in firms. With the increased popularity of blockchain technologies, the study findings concluded that performance would be enhanced if these technologies adopted. The study also concluded that technology can be utilized to engage in ethical data mining which will be beneficial to the company and increase performance.

## **5.5 Recommendations**

### **5.5.1 Policy Recommendations**

The aviation industry is critical to opening up a nation's economy hence the findings of this research can be relied upon by policymakers such as aviation regulator and line ministries in formulation of guidelines and policies to spur the growth of the industry. The study recommends that the government can spearhead a review of the domestic connectivity infrastructure available to ensure domestic airlines can expand and serve more areas within the country. Especially with the increased growth of towns across the devolved units there is a potential for domestic air market and this can only be harnessed through proper legislative plans and policy formulation. The policymakers can ensure there are more air facilities available in the country and also subsidize air travel to make it more appealing to the general public and stimulate the growth of the local aviation industry.

The research also recommends that the regulator should develop clear operational guidelines and conduct periodical evaluation of the services offered by the domestic airlines. This will be critical to ensuring the services are effective and meet the intended global standards which are ideal to enhancing the performance of the firms. Lastly, reeling from the downturn in the performance of the industry due to the pandemic the government should create a support programme that will improve the incentives to the firms, create a supportive tax structure and adopt more simplified and reliable programmes that will help improve the recovery of the domestic aviation firms.

### **5.5.2 Practical Recommendations**

The study recommends that domestic airlines should improve their investments to integrating new differentiative product/service range that will see local firms provide more cost friendly and

convenient air services to the local market. Through applying such measures, the domestic airlines can improve on customer attraction and satisfaction which will drive their operational performance upwards. Further, through reviewing the service experience and affording customers with more quality services will help the domestic airlines differentiate from other regional airlines and create an unmatched experience. The study also recommends that local airlines should be ambitious in creating products that meet the divergent needs of different customers within the market. This can be through creating packages for local tourist, business class tickets and competitive group packages that will improve customer choice and enhance the personalized preference of the customers. This can be critical to achieving value for their customers and enhancing the performance of the firms. The domestic airlines can further implement price differentiation practices on the domestic routes which will ensure that more customer classes are able to be served. This will ensure the airlines do not run under capacity and are able to service the growing market for air traffic in Kenya.

Secondly, the local airline needs to revise their market penetration strategies through investing in expansion to the regional market. Most of the domestic airline firms have not extensively focused on the larger East Africa market, hence its' imperative for the airlines to strategize on how to serve this untapped market. Further, as result of the intense competition in the market, adopting new marketing technologies will help the airline reduce its operational expenses and this excess savings can be utilized in subsidizing the air ticket pricing. This will help the domestic airlines in tapping into the low-cost carrier market which can increase demand for air travel thus supporting better returns for the firm. Due to the cyclic nature of traffic in the country, the research recommends that the airline firms should form more strategic alliances with local travel agents and other third-party institutions which will help in expanding the market reach of the firms. Through relying on the third parties the domestic airlines can be able to serve both the leisure travelers, business travelers and corporate entities thus improving the market penetration of the firms. Lastly, the airlines should consider developing an internal monitoring unit that will continuously scan the external and internal market factors to ensure the firms incorporates the standard practices in their operations. This will be key to maintaining the market share and achieving access to emerging markets.

Thirdly, the study recommends that domestic airlines can leverage on their internal technical capabilities and advancements in technology to undertake more versatile innovative practices. One, the domestic airlines can develop innovative loyalty programmes that will help them reach potential customers and create a retention programme that will maintain the patronage of their services thus improving the reputation and general performance of the airlines. Secondly, with

the expansion in the digital space in the country, domestic airlines should be able to transform their advertisements and market campaigns to be solely reliant on social networking campaigns. Utilization of these emerging channels has proven to be cost-efficient and provides value for money owing to the high global audience reach and the prompt service offering it supports. This will proportionately be critical to expanding the customer base, enhance experience and performance of the airline. The study recommends the airlines have to invest and integrate a reliable real-time information system that will help in capturing data and conducting analytics on the air travel dynamics in the country. This will be key to helping the domestic firms in predicting the changes in the market, pinpoint areas for maximum returns and support future decision making based on the predicted demand for air travel. Lastly, the domestic airlines were really hampered by the pandemic which limited physical interaction between personnel and customers. To avoid such scenarios in the future and enhance customer experience, the airlines should invest in modern dedicated information platforms that will offer innovative customer services that will boost engagement and service quality among the firms.

#### **5.6 Study Limitations and Suggestions for Further Studies**

The research anticipated restrictions in accessing all the airlines due to the location of their offices inside airports where accessibility is limited by security agencies. This was mitigated by providing the research approvals to the security agencies to facilitate the data collection process. The study targeted senior executives within the domestic airlines and due to their work schedules the survey expected time constraints in the data collection. The research adopted electronic data collection tools to enhance the convenience in data collection and scheduled appointments with the managers on the appropriate time to collect responses. The study expected the participants to be unwilling to engage in the survey due to the sensitivity of data required hence the research assured the respondents the data was securely stored and only used for academic purposes.

The study was only focused on the operational performance of the domestic airlines and further research is suggested conducting an in-depth analysis of the financial performance of the airlines. This will be essential in understanding the sustainability of the industry firms. The study also saw that despite moderate demand for air traffic in the country, we have atleast 43 firms operating in the market. Thus, its crucial to conduct an assessment of the demand patterns for air traffic in Kenya to understand if the market is oversaturated by airlines which contributes to the low operational performance. Lastly, more study work should be conducted reviewing how other

strategic choices have affected the performance of the domestic airlines. This will be vital in providing more policy and practical issues that airlines can address to improve their outcome.



## REFERENCES

- Abdirahman, H. S. (2017). Effect of Turnaround Strategies on the Performance of Kenya Airways. *Doctoral dissertation, University of Nairobi.*
- Abu Bakar, A., & Ahmad, S. (2016). Determinant factors of women entrepreneurs' business performance: a conceptual framework. . *Journal of Global Business and Social Entrepreneurship (GBSE)*, 1(1), 55-67.
- Addae-Korankye, A., & Aryee, B. A. (2021). The The relationship between strategic management practices and the growth of Small and Medium Enterprises (SMEs) in Ghana. . *Business: Theory and Practice*, 22(1), 222-230.
- Agrawal, A. (2021). Sustainability of airlines in India with Covid-19: Challenges ahead and possible way-outs. . *Journal of Revenue and Pricing Management*, 20(4), 457-472.
- Alaaraj, S., Mohamed, Z. A., & Bustamam, U. S. (2018). External growth strategies and organizational performance in emerging markets. *Review of International Business and Strategy.*, Volume 28 Issue 2; 2059-6014.
- Albers, S., & Rundshagen, V. (2020). European airlines' strategic responses to the COVID-19 pandemic. *Journal of air transport management*, 87, 101863.
- Albers, S., Baum, H., Auerbach, S., & Delfmann, W. (2017). *Strategic management in the aviation industry.* . Taylor & Francis.
- Aldemir, H. Ö., Şengür, F. K., & Ulukan, İ. C. (2021). Exploring Strategic Choices of Airlines: A Study in Turkish Air Transport Industry. *Asian Academy of Management Journal*, 1-26.
- Ali, M. R. (2019). Balanced scorecard development over the last 26 years. *IOSR Journal of Business and management*, 21(1), 13-16.
- Al-Romeedy, B. (2019). Strategic Agility as a Competitive Advantage in Airlines–Case Study: Egypt Air. *Journal of the Faculty of Tourism and Hotels-University of Sadat City*, 3(1), 1-15.
- Andoh, S. K., Gebremariam, Y., Thorson, J., & Bodo, P. (2019). Performance of State-Owned Enterprises: A Comparative Analysis of Ethiopian Airlines and Ghana Airways. . *American Journal of Management*, 19(5).
- Ansoff, I. (1965). *Corporate Strategy*. Management (Vol. 44).
- Awino, Z. B., Muturia, J. M., & Oeba, L. K. (2012). Strategic planning, planning outcomes and organizational performance. . *DBA Africa Management Review*, 2 (2), 134-149.

- Bağış, M. (2020). A Longitudinal Analysis On The Micro-foundations Of Strategic Management: Where Are Micro-foundations Going?. *Business & Management Studies: An International Journal*, 8(2), 1310-1333.
- Bagis, M., Şimsir, I., Kurutkan, M. N., & Kirlmaz, H. (2020). An Investigation on Decision Making Process of Managers: A Research in The Framework of Attention Based View of Strategic Management. . *Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi.*, 34(3), 917-944.
- Banker, R. D., Mashruwala, R., & Tripathy, A. (2014). Does a differentiation strategy lead to more sustainable financial performance than a cost leadership strategy? . *Management Decision*.
- Baroto, M. B., Abdullah, M. M., & Wan, H. L. (2012). Hybrid Strategy: A New Strategy for Competitive Advantage. . *International Journal of Business and Management* , 7(20): 120-133.
- Bauer, M., & Leker, J. (2013). Exploration and Exploitation in product and process innovation in the chemical industry. . *Research and Development Management Journal*, 43 (3) 195 - 212.
- Belobaba, P., Odoni, A., & Barnhart, C. (2015). *The global airline industry*. . John Wiley & Sons.
- Bulle, M. J. (2020). *Market Penetration Strategies on Organizational Performance in Telkom Kenya Limited, Nairobi City County, Kenya*. Unpublished MBA, Kenyatta University.
- Cascio, P. (2014). *Cultural change: opportunity, silent killer or metamorphosis*. . San Francisco.: Jossey Bass. .
- Ceptureanu, S. I., Ceptureanu, E. G., & Marin, I. (2017). Assessing the Role of Strategic Choice on Organizational Performance by Jacquemin–Berry Entropy Index. *Entropy*, 19(9), 448.
- Chandola, V. K., & Fu, H. (2017). Market penetration strategy of smartphone companies from China for India market: a multiple-case study. *International Journal of Business Marketing and Management*, 2(4), 10-16.
- Chen, F. H., & Tzeng, G. H. (2014). Probing organization performance using a new hybrid dynamic MCDM method based on the balanced scorecard approach. . *Journal of Testing and Evaluation*, 43(4), 924-937.
- Chepkemboi, E. T., & Paul, S. N. (2019). Disruptive Innovation Strategies And Performance Of Selected Airlines In Kenya. . *Journal of Business and Strategic Management*, 4(1), 47-68.
- Child, J. (1972). Organizational structure, environment and performance: The role of strategic choice. . *Sociology*, 6(1), 1-22.

- Child, J. (1997). Strategic choice in the analysis of action, structure, organizations and environment: Retrospect and prospect. . *Organization studies*, 18(1), 43-76.
- Christensen, C., Raynor, M., & McDonald, R. (2015). *What is Strategic Choice?* Boston, MA: Harvard Business School Press.
- Coe, N., & Letza, S. (2014). Two decades of the balanced scorecard: A review of developments. . *The Poznan University of Economics Review*, 14(1), 63.
- Cooper, D. ..., & Schindler, P. (2011). *Business Research Methods. (11th Ed.)*. New York: McGraw-Hill.
- da Cruz, M. R., Nunes, A. J., & Pinheiro, P. G. (2011). Fiedler's Contingency Theory: Practical Application of the Least Preferred Coworker (LPC) Scale. . *IUP Journal of Organizational Behavior*, 10(4).
- De-Waal, A. (2007). *The characteristics of a high performance organization*. Business strategy series.
- Dinçer, H., Hacıoğlu, U., & Yuksel, S. (2016). Balanced scorecard-based performance assessment of Turkish banking sector with analytic network process. . *Int. J. Decis. Sci. Applications-IJDSA* , 1 (1), 1-21.
- Dunn, G. (2020). *The story of the coronavirus impact on airlines in numbers*. . Retrieved from Flight global: <https://www.flightglobal.com/strategy/how-the-airline-industry-has-been-hit-by-the-crisis/138554.article?adredir=1>
- Eden, C., & Ackermann, F. (2013). *Making strategy: The journey of strategic management*. Sage.
- Farah, H. A., Munga, J., & Mbebe, J. (2018). Influence of competitive strategies on performance of commercial airlines in Kenya: A survey of the airline industry in Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(1), 170-189.
- Farah, H. A., Munga, J., & Mbebe, J. (2018). Influence of competitive strategies on performance of commercial airlines in Kenya: A survey of the airline industry in Kenya. . *International Academic Journal of Human Resource and Business Administration*, 3(1), 170-189.
- Farndale, E., McDonnell, A., Scholarios, D., & Wilkinson, A. (2020). A look to the past, present, and future of the journal and HRM scholarship. . *Human Resource Management Journal*, 30(1), 1-12.
- Fiedler, F. (2015). Contingency theory of leadership. *Organizational Behavior. Essential Theories of Motivation and Leadership*, 232, 01-2015.
- Fink, M., & Kraus, S. (2009). *The Management of SME's (1st ed.)*. . New York: Routledge.
- Ghofar, A., & Islam, S. (2015). *Corporate governance and contingency theory*. . Suiza: Springer International Publishing.

- Gikonyo, G. P. (2018). *Organisational Resources And Sustainable Competitive Advantage Amongst Selected Firms In The Aviation Industry In Kenya*. Doctoral dissertation, Thesis, Kenyatta University.
- Gössling, S. (2020). Risks, resilience, and pathways to sustainable aviation: A COVID-19 perspective. . *Journal of Air Transport Management*, 89, 101933.
- Grimpe, C., Sofka, W., Bhargava, M., & Chatterjee, R. (2017). R&D, marketing innovation, and new product performance: a mixed methods study. . *Journal of product innovation management*, 34(3), 360-383.
- Guandaru, A. W. (2019). *Strategies Deployed by Fly 540 Aviation Company to Sustain Competitive Advantage*. Doctoral dissertation, University of Nairobi.
- Hannigan, T. J., Hamilton III, R. D., & Mudambi, R. (2015). Competition and competitiveness in the US airline industry. *Competitiveness Review*.
- Heiens, R. A., & Pleshko, L. P. (2011). A contingency theory approach to market orientation and related marketing strategy concepts: does fit relate to profit performance?. *Management and Marketing*, 6(1), 19.
- Hitt, M. A., Carnes, C. M., & Xu, K. (2016). A current view of resource based theory in operations management: A response to Bromiley and Rau. . *Journal of Operations Management*, 41(10), 107-109.
- Holden, M. T., & Lynch, P. (2004). Choosing the Appropriate Methodology: Understanding Research Philosophy (RIKON Group). . *The Marketing Review*, 4 (2). 397-409.
- Hussain, S., Khattak, J., Rizwan, A., & Latif, M. (2013). ANSOFF matrix, environment, and growth- An interactive triangle. . *Management and Administrative Sciences Review*, 2 (2), 196–206.
- IATA . (2020). *COVID-19 puts over half of 2020 passenger revenues at risk*. . Retrieved from International Air Transport Association: <https://www.iata.org/en/pressroom/pr/2020-04-14-01/>
- ICAO. (2017). *The World of Air Transport in 2017. Annual Report*. International Civil Aviation Organization.
- İzzet, K. M., Akif, O.-Y., & Emre, T. (2013). A study on the competition strategies of the airline companies in Turkey. *Tourismos*, 7(1).
- Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regnér, P. (2011). *Exploring strategy*. Financial Times Prentice Hall.
- Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regnér, P. (2011). *Exploring strategy*. . Financial Times Prentice Hall.

- Kamau, B. C. (2019). Effect of Response Strategies on the Performance of Airlines: A Case of Kenya Airways Limited. *Doctoral dissertation, United States International University-Africa.*
- Kamau, M. W., & Kavale, S. (2015). Factors Affecting Strategic Choices in Airlines in Kenya: A Case Study of Kenya Airways. *The International Journal Of Business & Management*, 3 (5), 86-98.
- Kamau, M. W., & Stanley, K. (2017). Factors affecting strategic choices in airlines in Kenya: a case study of Kenya Airways. *The International Journal Of Business & Management.*
- Kaplan, R. S. (2009). Conceptual foundations of the balanced scorecard. . *Handbooks of management accounting research*, 3, 1253-1269.
- Kaplan, R. S. (2012). The balanced scorecard: comments on balanced scorecard commentaries. . *Journal of Accounting & Organizational Change.*
- Kaplan, R. S., & Norton, D. P. (2001). Transforming the balanced scorecard from performance measurement to strategic management: Part 1. *Accounting horizons*, 15(1), 87-104.
- Kaplan, R. S., & Norton, D. P. (2005). The Balanced Sscorecard: Measures that drive performance. *Havard Business Review.*, 83 (7) 172.
- Kaplan, S. R., & Norton, P. D. (1996). *The Balanced Scorecard: Translating Strategy Into Action.* . Boston, MA.: Harvard Business School Press.
- Kaplan, S. R., & Norton, P. D. (1996). Using the balanced scorecard as a strategic management system. . *Harvard Business Review*, 74, 75–85.
- Kaplan, S. R., & Norton, P. D. (2000). *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive In The New Business Environment.* . Boston, MA.: Harvard Business School Press.
- Kargar, J., & Parnell, J. A. (1996). Strategic planning emphasis and planning satisfaction in small firms: an empirical investigation. . *Journal of Business Strategies*, 13(1), 42-64.
- Katzenbach, J. R., & Smith, D. K. (2015). *The wisdom of teams: Creating the high-performance organization.* Harvard Business Review Press.
- Kenya Airways. (2021). Kenya Airways 2020 report. *Kenya Airways.*
- Kenya Civil Aviation Authority . (2019). *Statistics.* Retrieved from KCAA: <https://kcaa.or.ke/about-us/statistics>
- Kiiru, J. W., Kirori, G. N., & Omurwa, J. K. (2019). Financial Management Practices and Financial Performance of Services Industry in Kenya: Case of Kenya Airways. . *Journal of Finance and Accounting*, 3(2), 76-93.

- Kombo, D., & Tromp, D. (2009). *Proposal and Thesis Writing: An Introduction*. . Nairobi: Pauline Publications Africa.
- Kor, Y. Y., & Mahoney, J. T. (2004). Edith Penrose's (1959) contributions to the resource-based view of strategic management. . *Journal of management studies*, 41(1), 183-191.
- Köseoglu, M. A., Altin, M., Chan, E., & Aladag, O. F. (2020). What are the key success factors for strategy formulation and implementation? Perspectives of managers in the hotel industry. *International Journal of Hospitality Management*, 89, 102574.
- Kothari, C. K., & Gaurav, G. (2014). *Research Methodology, (3rd Eds)*. New Delhi: New Age International Publishers.
- Kraus, S., Harms, R., & Fink, M. (2010). Entrepreneurial marketing: moving beyond marketing in new ventures. . *International Journal of Entrepreneurship and Innovation Management*, 11(1), 19-34.
- Kulkarni, V. (2017). Contingency Theory. . *The International Encyclopedia of Organizational Communication*, 1-6.
- Kyalo, R. (2016). *Growth Strategies and Performance of Large Oil Companies in Kenya*. . University of Nairobi.
- Lee, W. S., & Moon, J. (2016). Determinants of CEO strategic risk-taking in the airline industry. . *Tourism Management Perspectives*, 18, 111-117.
- Lin, L., Osman, Z., & Wang, S. (2018). Indirect effect on trust on customer satisfaction and customer loyalty relationship in Malaysian airline Industry. . *Journal of Economics and Business*, 1(2), 134-142.
- Lo, F. Y., & Fu, P. H. (2016). The interaction of chief executive officer and top management team on organization performance. . *Journal of Business Research*, 69(6), 2182-2186.
- Lorsch, J. W. (2010). *A contingency theory of leadership*. Harvard Business School.
- Mahmud, N., & Hilmi, M. F. (2014). TQM and Malaysian SMEs performance: The mediating roles of organization learning. . *Procedia-Social and Behavioral Sciences*, 130(2), 216-225.
- Maneenop, S., & Kotcharin, S. (2020). The impacts of COVID-19 on the global airline industry: An event study approach. . *Journal of air transport management*, 89, 101920.
- McGee, J. (2015). Differentiation strategies. . *Wiley encyclopedia of management*., 1-3.
- McKiernan, P., & Wilson, D. (2014). *Strategic Choice*. . The institutional development of business schools.
- Min, H., & Joo, S. J. (2016). A comparative performance analysis of airline strategic alliances using data envelopment analysis. . *Journal of Air Transport Management*, 52, 99-110.

- Mokaya, S. O., Kanyagia, P., & M’Nchebere, G. M. (2017). The effect of market positioning on organizational performance in the airlines industry in Kenya; case of Kenya airways. *Jomo Kenyatta University of Agricultural Technology*.
- Moreno-Izquierdo, L., Ramón-Rodríguez, A., & Ribes, J. P. (2015). The impact of the internet on the pricing strategies of the European low cost airlines. . *European Journal of Operational Research*, 246(2), 651-660.
- Muiruri, C. (2014). *The Effectiveness of the Balanced Scorecard in Strategy Implementation at Kenya Wildlife Service*. Doctoral dissertation, United States International University-Africa.
- Mungai, B. W., & Bula, H. O. (2018). Turnaround strategies and performance of Kenya Airways. . *The University Journal*, 1(2), 1-16.
- Muriithi, R. M., & Waithaka, P. (2020). Market Penetration Strategy and Performance of Agrochemical Companies in Nakuru County, Kenya. . *Journal of Strategic Management*, 4(4), 23-33.
- Musyoki, S. M. (2018). Organizational resources, strategy, and environmental turbulence in Kenya Airways Limited. *Doctoral dissertation, University of Nairobi*.
- Mwangi, I. G., & Kisimbi, J. M. (2020). Critical Success Factors Influencing the Performance of Infrastructure Projects in The Aviation Industry in Kenya; A Case of Moi International Airport. . *Journal of Entrepreneurship and Project Management*, 5(2), 93-11.
- Nadoo, V. (2016). Firm survival through a crisis: the influence of marketing orientation, innovation and business strategy. . *Industrial Marketing Management Journal*., 39,1311-1320.
- Nduta, N. A., & Deya, J. (2020). Influence of Turnaround Strategies on Performance of Firms in the Aviation Industry in Kenya. *Management*, 10(3), 135-149.
- Nkegbe, P. K., & Ustarz, Y. (2015). Banks performance in Ghana: Trends and determinants. . *Ghana Journal of Development Studies*, 12(1-2), 33-52.
- Nyaga, P. W., & Simiyu, A. (2018). Influence Of Strategic Alliances On Performance Of Kenya Airways. *International Journal of Innovative Research and Advanced Studies (IJIRAS)*, Volume 5 Issue 3.
- Obulor, G. A. (2021). Compensation Practices and Work Behavior Amongst Airline Employees in Nigeria. *International Journal of Innovative Social Sciences & Humanities Research* , 9(2):75-85.

- Odongo, O. O., Mugambi, H., & Abayo, R. (2019). Influence of labor relations on performance of airline industry: A case study of Kenya Airways Limited. *International Academic Journal of Human Resource and Business Administration*, 3, (6), 162-178.
- Okoye, E. I., Odum, A., Abiahu, M. F., & Odum, C. (2017). Impact of Balanced Scorecard on Firm Value of Quoted Manufacturing Companies in Nigeria. . *The Nigerian Accountant*, 50(4).
- Okumus, F., Sengur, F. K., Koseoglu, M. A., & Sengur, Y. (2020). What do companies report for their corporate social responsibility practices on their corporate websites? Evidence from a global airline company. . *Journal of Hospitality and Tourism Technology.*, 12-46.
- Omwoyo, R. M. (2016). Effects of generic strategies on the competitive advantage of firms in Kenya's airline industry: a survey of selected airlines. *Doctoral dissertation, United States International University-Africa.*
- Onuonga, S. M. (2014). The analysis of profitability of Kenyas top six commercial banks: Internal factor analysis. . *American International Journal of Social Science*, 3(5), 94-103.
- Orji, I. J., Kusi-Sarpong, S., Gupta, H., & Okwu, M. (2019). Evaluating challenges to implementing eco-innovation for freight logistics sustainability in Nigeria. . *Transportation Research Part A: Policy and Practice*, 129, 288-305.
- Panchal, P. (2016). Market Penetration Strategies of Retread Truck Tires in Kenya. *Doctoral dissertation, United States International University-Africa.*
- Parast, M., & Golmohammadi, D. (2020). The Impact of Firm Size and Business Strategy on Response to Service Disruptions: Evidence From the US Domestic Airline Industry. *IEEE Transactions on Engineering Management.*
- Parnell, J. (2013). Uncertainty, generic strategy, strategic clarity, and performance of retail SMEs in Peru, Argentina, and the United States. . *Journal of Small Business Management*, 51(2), 215-234.
- Parnell, J. A. (2013). *Strategic management*. Sage.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. . New York: The Free Press.
- Porter, M. E. (1991). Towards a dynamic theory of strategy. *Strategic management journal*, 12(S2), 95-117.
- Porter, M., & Magretta, J. (2014). *Strategy and Competition: The Porter Collection (3 Items)*. Harvard Business Review Press.

- Rahman, M. (2011). Differentiation of services to achieve competitive advantage: airlines meeting the needs of the physically challenged persons. *European Journal of Business and Management*, 3(3), 115-127.
- Ramayah, T., Samat, N., & Lo, M. C. (2011). Market orientation, service quality and organizational performance in service organizations in Malaysia. . *Asia-Pacific Journal of Business Administration*, 3(1), 8-27.
- Razak, A. A., & Murray, P. A. (2017). Innovation strategies for successful commercialisation in public universities. . *International Journal of Innovation Science*.
- Rosli, M. M., & Sidek, S. (2013). The Impact of innovation on the performance of small and medium manufacturing enterprises:: Evidence from Malaysia. . *Journal of Innovation Management in Small & Medium Enterprises*, 1.
- Sayed, N. (2012). Ratify, Reject or Revise: Balanced Scorecard and Universities. . *International Journal of Educational Management*., 27, (3) 203-220.
- Schmidt, K. C. (2020). Strategic Alliances as a form of Coopetition and its impact on the Performance of Airlines: A Case Study analysis of Lufthansa, Finnair, and Alitalia. *University of Vaasa*.
- Sekaran, U., & Bougie, R. (2016). *Research methods for business: A skill building approach*. John Wiley & Sons.
- Setiawannie, Y., & Rahmania, T. (2019). Performance measurement of public hospitals through the integration of SWOT and balanced scorecard. *Jurnal Sistem dan Manajemen Industri*, 3(2), 76-88.
- Sidorwicz, H. (2007). *Defining Organizational Values*. San Francisco: Jossey Bass.
- Stahl, G. K., Björkman, I., & Morris, S. (2012). *Handbook of research in international human resource management*. Edward Elgar Publishing.
- Tajasom, A., Hung, D. K., Nikbin, D., & Hyun, S. S. (2015). The role of transformational leadership in innovation performance of Malaysian SMEs. . *Asian Journal of Technology Innovation*, 23 (2), 172-188.
- The Economist. (2020). *The Visible Hand. Europe's Habit of Propping up Firms May Outlast the Pandemic*. Retrieved from The Economist: <https://www.economist.com/europe/2020/05/28/europes-habit-of-propping-up-firms-may-outlast-the-pandemic> 28 May 2020.
- Thendu, B. (2020). Policy Formulation and Advocacy towards Sustainability of Aviation Industry in Kenya: A Literature Based Review. . *Journal of Strategic Management*, 4(1), 1-15.

- Thendu, B. (2020). Policy Formulation and Advocacy towards Sustainability of Aviation Industry in Kenya: A Literature Based Review. . *Journal of Strategic Management*, 4(1), 1-15.
- Tuan, T. T. (2020). The impact of balanced scorecard on performance: The case of Vietnamese commercial banks. *The Journal of Asian Finance, Economics, and Business.*, 7(1), 71-79.
- Udegbe, S. E. (2017). Impact of Market Orientation Practice on Business Performance of Airline Operators in Nigeria. *IOSR Journal of Business and Management*, 19, 52-58.
- Upagade, V., & Shende, A. (2012). *Research Methodology. 2nd edition. S.* . Ram Nagar, New Delhi: Chad and Company Ltd. .
- Van Den Steen, E. (2013). *A Formal Theory of Strategy*. Boston, Massachusetts: Harvard Business School.
- Veraart, D., Thijsen, T., Tong, T., & Leer, J. v. (2014). *Ansoff model: product/market expansion grid*.
- Wadongo, B., & Abdel-Kader, M. (2014). Contingency theory, performance management and organisational effectiveness in the third sector: A theoretical framework. . *International Journal of Productivity and Performance Management*, 63(6), 680-703.
- Waithaka, R. W. (2016). Relationship between entrepreneurial orientation and performance of small and medium enterprises in the agro-based manufacturing sector in Kenya. . *Unpublished PhD thesis, Juja: Jomo Kenyatta University of Agriculture and Technology*.
- Wang, R., Ke, C., & Cui, S. (2021). *Product price, quality, and service decisions under consumer choice models.* . Manufacturing & Service Operations Management.
- Weerasiri, S., Zhengang, Z., & Perera, T. R. (2012). Innovation and creativity of small and medium scale enterprises (SMEs) in Sri Lanka. A Review. *In International forum of researches students and academics*, 2(1), 7-9.
- Wenzel, M., Stanske, S., & Lieberman, M. B. (2020). Strategic responses to crisis. *Strategic Management Journal.*, 41:V7–V18.
- Wernerfelt, B. (1984). A resource-based view of the firm. . *Strategic management journal*, 5(2), 171-180.
- Wheelen, T. L., & Hunger, J. D. (2011). *Concepts in strategic management and business policy*. . Pearson Education India.
- Wilson, D., & McKiernan, P. (2011). Global mimicry: Putting strategic choice back on the business school agenda. *British journal of management*, 22(3), 457-469.

- Yan, W., Cui, Z., & Gil, M. J. (2016). Assessing the impact of environmental innovation in the airline industry: An empirical study of emerging market economies. . *Environmental Innovation and Societal Transitions*, 21, 80-94.
- Zekiri, J., & Nedelea, A. (2011). Strategies for achieving competitive advantage. The Annals of the “Stefan cel Mare” University of Suceava. . *Fascicle of the Faculty of Economics and Public Administration*, 11(2), 63-73.
- Zhang, Q., Yang, H., Wang, Q., & Zhang, A. (2014). Market power and its determinants in the Chinese airline industry. . *Transp. Res. Part A Policy Pract.* , 64, 1-13.
- Zikmund, W. G., Babin, B. J., Carr, J., & Griffin, M. (2013). *Business Research Method (9th ed)*. UK, UK: : Cengage Learning.



## APPENDICES

### Appendix I: Participants Consent Form

#### Participant Information and Consent Form

Title of the Proposed Study:

EFFECTS OF STRATEGIC CHOICES ON THE PERFORMANCE OF THE AIRLINE INDUSTRY IN KENYA

#### Section I:

Investigator: **Donna Miyumo**

Institutional Affiliation: **Strathmore Business School (SBS) Section II: Information Sheet–The Study**

#### : Why is this study being carried out?

The research is being undertaken as a partial requirement for the academic award of Masters of Business Administration Degree.

#### : Do I have to take part?

No. Taking part in the study will be a voluntary and only willing participants will be asked to fill in the attached questionnaire. Even upon consent to take part in the study, the respondent can decline to take part in the study at any point within the course of the exercise.

#### : Who is eligible to take part in this study?

The study is open to the Managing Director of any other designated Executive Management Officer within the domestic airline firms.

#### : Who is not eligible to take part in this study?

This research study is not open to respondents not working within the domestic aviation industry of personnel within the sector who do not possess adequate knowledge on the research parameters. The focus of the study will be on the following key objectives;

- i. To examine the influence of differentiation strategies on the performance of the airline industry in Kenya.
- ii. To determine the influence of market penetration strategies on the performance of the airline industry in Kenya.
- iii. To examine the effect of innovative strategies on the performance of the airline industry in Kenya.

#### : What will taking part in this study involve for me?

The researcher will only seek your opinion in filling up selected items on effect of strategic choices on the performance of the airline industry in Kenya.

**: Are there any risks or dangers in taking part in this study?**

The study poses no risk whatsoever to the respondents. The respondents will not be asked to share any personal information or provide any sensitive official data.

**: Are there any benefits of taking part in this study?**

The results of the study are expected to be of significance in the advancement of the strategic policy initiatives in the sector as well as improvement of the growth trajectory in the domestic airline firms.

**: What will happen to me if I refuse to take part in this study?**

Nothing. Participation in the study is entirely voluntary.

**: Who will have access to my information during this research?**

All the accessed research data will be treated with utmost confidentiality and will not be disclosed to any person who is not party to the research process.

**: Who can I contact in case I have further questions?**

Any query can be directed to me Donna Miyumo. *Any further information can be sought from my Research Supervisor Dr. Tabitha Waithaka through the SBS information desk.*

***If you want to ask someone independent anything about this research please contact:***

*The Secretary–Strathmore University Institutional Ethics Review Board, P. O. BOX 59857, 00200, Nairobi, email [ethicsreview@strathmore.edu](mailto:ethicsreview@strathmore.edu) Tel number: +254 703 034 375*

I, \_\_\_\_\_, have had the study explained to me. I have understood

all that I have read and have had explained to me and had my questions answered satisfactorily. I understand that I can change my mind at any stage.

Please tick the boxes that apply to you;

**Participation in the research study**

I AGREE to be part of the research ( )

I DO NOT AGREE to be part of the research ( )

**Storage of information on the completed questionnaire**

I AGREE to have my completed questionnaire stored for future data analysis ( )

I DON'T AGREE to have my completed questionnaire stored for future data analysis ( )

Participants Name: .....

Participants Signature: ..... Date: .....

I, (Name of person taking consent) certify that I have followed the SOP for this study and have explained the study information to the study participant named above, and that s/he has understood the nature and the purpose of the study and consents to the participation in the study.

Signature: .....

Date:

..... Name: Donna Miyumo



## Appendix II: Introduction Letter

Ole Sangale Rd, Madaraka Estate,  
P.O Box 59857 00200, Nairobi, Kenya.  
Cell: +254 703 414/6/7, Twitter: @SBSKenya  
**Email:** [info@sbs.ac.ke](mailto:info@sbs.ac.ke) or visit [www.sbs.strathmore.edu](http://www.sbs.strathmore.edu)



Thursday, April 28, 2022

To whom it may concern.

**RE: FACILITATION OF RESEARCH – DONNA AKINYI MIYUMO**

This is to introduce Donna Akinyi Miyumo who is an MBA student at Strathmore University Business School, admission number MBA/114942/20. As part of our MBA Program, Donna is expected to do applied research and to undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, she would like to request for appropriate data from your organization.

Donna is undertaking a research paper on "*Effects of Strategic Choices On Performance Of The Airline Industry In Kenya*" The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share the findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support, and we shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Caroline Tiara".

Caroline Tiara,  
Manager – MBA Programs.

Association of African  
Business Schools



Strathmore Business School is a Proud member of:



**AACSB**

EFMD

## Appendix III: Ethical Research License



22<sup>nd</sup> July 2022

Ms Miyumo, Donna  
donna.miyumo@strathmore.edu

Dear Ms Miyumo,

### **RE: Effects Of Strategic Choices On Performance Of The Airline Industry In Kenya**

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU- master's** research proposal. Your application reference number is **SU-IERC1392/22**. The approval period is **22<sup>nd</sup> July 2022 to 21<sup>st</sup> July 2023**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 48 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 48 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to SU-ISERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

for: **Dr Ben Ngoye,**  
**Secretary; SU-ISERC**

**Cc: Prof Fred Were,**  
**Chairperson; SU-ISERC**



## Appendix IV: NACOSTI Research Permit

 <b>REPUBLIC OF KENYA</b>	 <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
Ref No: <b>309514</b>	Date of Issue: <b>23/May/2022</b>
<b>RESEARCH LICENSE</b>	
	
<b>This is to Certify that Ms. DONNA AKINYI MIYUMO of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EFFECTS OF STRATEGIC CHOICES ON PERFORMANCE OF THE AIRLINE INDUSTRY IN KENYA for the period ending : 23/May/2023.</b>	
License No: <b>NACOSTI/P/22/17630</b>	
<b>309514</b> Applicant Identification Number	 Director General <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>
	Verification QR Code 
<b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</b>	

## Appendix V: Research Questionnaire

Hello, the attached questionnaire is aimed at getting information from personnel within domestic airline firms on the effect of strategic choices on the performance of the airline industry in Kenya. I kindly ask for your assistance in answering the attached questions to the best of your ability.

Thank you for your participants in this research work.

### Part A: Demographic Information

#### 1. What is your age bracket?

- Below 35 years of age ( )
- 36-45 years ( )
- 46-55 years ( )
- Over 56 years ( )

#### 2. What is your gender identity?

- Male ( )
- Female ( )

#### 3. What is your current educational attainment?

- Graduate degree ( )
- Postgraduate degree ( )
- Others ( )

#### 4. How long have you been working within the domestic airline industry?

- Below 5 years ( )
- 6-10 years ( )
- 11-15 years ( )
- Over 16 years ( )

#### 5. Which department do you work within the insurance firm?

- Managing Director ( )
- Marketing Manager ( )
- Chief Technology Officer ( )

### PART B: EFFECT OF STRATEGIC CHOICES ON THE PERFORMANCE OF THE AIRLINE INDUSTRY IN KENYA

Please tick the level of agreement of the following statements, as shown in the table.

Please indicate in the table with a tick (√) or across (×) with a scale of

5= *strongly agree*    4= *Agree*    3= *Neither agree nor disagree*    2= *Disagree*    1= *Strongly Disagree*

No	Differentiation strategies	1	2	3	4	5
1.	Our firm regularly modifies our products to ensure we are ahead of our rivals					
2.	Our firm continuously reviews our service offering to ensure its consistent with best global practices					
3.	Our firm has developed engagement channels that ensure customer complaints are handled promptly					
4.	Our firm ensures that staff are trained on customer handling to ensure customer service is top-notch					
5.	Our firm regularly reviews our service quality to ensure that we meet customer demands and standard practices					
6.	The firm continuously reviews the market for diversification opportunities that can expand our product and service offering					

Please indicate in the table with a tick (√) or across (×) with a scale of

5= *strongly agree*    4= *Agree*    3= *Neither agree nor disagree*    2= *Disagree*    1= *Strongly Disagree*

No	Market penetration strategies -	1	2	3	4	5
1.	Our firm has developed loyalty programs to ensure there is increased patronage of our services					
2.	The firm regularly conducts promotional activities to enhance the demand for our services					
3.	The firms adopt premium pricing to ensure that our services are viewed favorably than our competitors					
4.	The firm ensures that cost leadership strategies are adopted when the firm can leverage on competitive edge					

5.	The firm has adopted target marketing to ensure we reach the intended clientele					
6.	The firm conducts segmentation practices to ensure that service offering is focused on the various customer needs					
7.	The firm has been undertaking expansion activities to expand our market share					

Please indicate in the table with a tick (√) or across (×) with a scale of

**5= strongly agree    4= Agree    3= Neither agree nor disagree    2= Disagree    1= Strongly Disagree**

No	Innovative strategies	1	2	3	4	5
1.	Our firm has been leveraging on social networks to improve our market appeal and customer reach					
2.	The firm has been utilizing digital platforms to expand on the marketing channels					
3.	The firm relies on digital platforms to improve our customer engagement and relations management					
4.	The firm has undertaken automation of our services to enhance the convenience and ease of service availability					
5.	The firm is continuously assimilating technological innovations in the core business operations to enhance process efficiency					
6.	The firms have taken steps to integrate block chain technologies to expand efficiency and utilization of digital analytics					
7.	The firms leverage on technology to conduct data mining that can be utilized to enhance decision making					

**PART C: THE PERFORMANCE OF THE AIRLINE INDUSTRY IN KENYA-**

Please tick the level of agreement of the following statements, as shown in the table.

Please indicate in the table with a tick (√) or across (×) with a scale of

*5= strongly agree      4= Agree      3= Neither agree nor disagree      2= Disagree      1= Strongly Disagree*

No	Organization performance	1	2	3	4	5
1.	Our firm has witnessed an improvement in operational efficiency and service improvement					
2.	Our firm has seen a consistent growth in the domestic air traffic and cargo handling					
3.	Our firm is constantly reviewing new routes to improve our destination locations					
4.	Our firm has developed a service charter to ensure there is an improvement in the service delivery					
5.	Our firm ensures there is constant improvement of service offering to enhance the satisfaction of our customers					
6.	Our firm has witnessed an improved retention of our customer base as evidenced by positive customer traffic					

Thank you for your Time. Stay Safe!

**Appendix VI: Diagnostic Results**  
**Normality Tests**

		<b>Statistic</b>	<b>Std. Error</b>
<b>Differentiation Strategies</b>	Skewness	-.816	.228
	Kurtosis	.730	.453
<b>Marketing Penetration</b>	Skewness	-.311	.228
	Kurtosis	-.323	.453
<b>Innovative Strategies</b>	Skewness	-.482	.228
	Kurtosis	-.388	.453
<b>Operational Performance</b>	Skewness	-.939	.228
	Kurtosis	1.080	.453

**Collinearity Tests**

<b>Model</b>		<b>Collinearity Statistics</b>	
		<b>Tolerance</b>	<b>VIF</b>
1	(Constant)		
	Differentiation Strategies	.309	3.232
	Market Penetration Strategies	.247	4.045
	Innovative Strategies	.335	2.984

a. Dependent Variable: Operational Performance

**Autocorrelation Tests**

<b>Model</b>	<b>Durbin-Watson</b>
1	1.994

a. Predictors: (Constant), Innovative Strategies, Differentiation Strategies, Market Penetration Strategies

b. Dependent Variable: Operational Performance

## **Appendix VII: List of Airline Firms in Kenya**

1. African Express Airways – Jomo Kenyatta International Airport
2. Aberdair Aviation – Wilson Airport
3. Aero-Pioneer Group – Wilson Airport
4. Acariza Aviation – Wilson Airport
5. AD Aviation Aircharters – Wilson Airport
6. Aeronav Air Services – Wilson Airport
7. AeroSpace Consortium – Jomo Kenyatta International Airport
8. Air Direct-Connect – Jomo Kenyatta International Airport
9. Avro Express – Wilson Airport
10. 748 Air Services – Jomo Kenyatta International Airport
11. Airkenya Express – Wilson Airport
12. ALS – Aircraft Leasing Services – Wilson Airport
13. Astral Aviation – Jomo Kenyatta International Airport
14. Blue Bird Aviation (Kenya) – Wilson Airport
15. Fly540 – Jomo Kenyatta International Airport
16. Fly-SAX – Jomo Kenyatta International Airport
17. Freedom Airline Express
18. Global Airlift – Wilson Airport
19. Great Airways – Jomo Kenyatta International Airport
20. Jambojet – Jomo Kenyatta International Airport
21. Jetways Airlines – Wilson Airport
22. Jubba Airways (Kenya) – Jomo Kenyatta International Airport
23. KASAS – Wilson Airport
24. Kenya Airways – Jomo Kenyatta International Airport
25. Silverstone Air – Wilson Airport
26. Tubania Aviation Group – Wilson Airport
27. LadyLori – Wilson Airport
28. Knight Aviation – Wilson Airport
29. Mombasa Air Safari – Mombasa Moi International Airport
30. Pan African Airways – Jomo Kenyatta International Airport
31. Phoenix Aviation (Kenya) – Wilson Airport
32. Queensway Air Services – Wilson Airport
33. Reliance Air Charters – Wilson Airport
34. Ribway Cargo Airlines – Jomo Kenyatta International Airport
35. Safari Express Cargo- Jomo Kenyatta International Airport
36. Safarilink Aviation – Wilson Airport
37. Safe Air (Kenya) – Wilson Airport

- 38. Skytrail Air Safaris – Bamburi (BMQ)
- 39. Skyward International Aviation – Wilson Airport
- 40. Solenta Aviation Kenya – Jomo Kenyatta International Airport
- 41. Tamarind Air – Jomo Kenyatta International Airport
- 42. Transworld Safaris – Wilson Airport
- 43. Trident Aviation – Wilson Airport

