

Human Capital Development Determinant in Strategy Implementation and Performance of the Airline Industry in Kenya: A Mediating Role of Liberalization

Enos Bernabas Anene

PhD Student Jomo Kenyatta University of Agriculture and Technology

Prof Margaret Oloko

Jomo Kenyatta University of Agriculture and Technology

Prof George Orwa

Jomo Kenyatta University of Agriculture and Technology

Abstract: This study aimed at establishing determinant of strategy implementation on the organization performance of airlines industry in Kenya moderated by liberalization policy. The study intended to establish the extent to which human capital development determine performance of Kenya airline industry. Systematic random sampling was used to select the managers who participated in this study who formed the unit of observation. In each airline selected, a self-administered questionnaire was then used to collect data from 200 respondents who were managers of the airlines. Data was analyzed and presented through descriptive statistics that is; mean scores, variances, standard deviation probit regression and inferential statistics namely; correlation and regression results were used to present the data, while bivariate correlations and regression results were also used to test the hypotheses. The study established that be concluded that the relationship between human capital development and strategy implementation and is positively effective in the airlines industry

Keywords: Liberalization, Organization Structure, Performance, Kenya Airlines, Strategy implementation.

I. INTRODUCTION

Strategy implementation is viewed as a dynamic activity within the strategic management literature that define the manner in which organization should develop, utilize and amalgamate organizational structures, control systems and manage culture in implementing strategies that lead to competitive advantage and improved performance (Sorooshian, Norzima, Yusuf & Rosnah, 2010). According to Cater and Pucko (2010), although a well-formulated strategy, a strong and operational pool of skills, and human capital are particularly important resources for strategy success, lowly leadership is one of the key obstacles in successful strategy execution. Human capital is the knowledge and skills of a firm's complete workforce/employees. Strategic leaders ought to view the organizational workforce as a serious resource on which many core competencies are made and through which competitive advantages are exploited effectively. Staff appreciates the opportunity to learn endlessly and feel superior involvement when encouraged to enlarge their knowledge base. Ongoing investments in organizational workers result in imaginative, well-educated labor force, the type of workforce capable of forming extremely effective great groups (Ireland & Hitt, 2005).

1.1 Problem Statement

Literature of the past scholarly works documents a high failure rate in strategy implementation in most organizations all over the world. Carter and Pucko (2010) noted that 60 to 80 % of organizations worldwide perform very well in strategic formulation but either fail or seriously struggle during the strategy implementation process. A high failure rate in strategy implementation does not only discourage the stakeholders involved but also makes it difficult for these firms to fully realize their goals. Africa is the weakest region in financial performance and in terms of traffic the continent represent less than 3% of the global market share (Afraa, 2017).The Kenyan airlines have not produced a return on

investment that exceeded their weighted capital costs besides revenues were still well below the \$564 billion achieved in 2008 (IATA, 2013). The study by Genc (2017) on Strategy implementation, organizational culture and performance in Turkish local government, empirically investigates the relationships between rational and incremental strategy implementation styles and organizational performance, as well as relationships between different types of organizational culture and performance. It also explores the moderating effects of strategy implementation styles on the relationships between culture types and organizational performance. These relationships were investigated using data from a large-scale survey of managers and semi-structured interviews from a sample of Turkish local government. No study has examined the moderating effect of environment in the relationship between strategy implementation and airline performance industry- in both the public and private airline organizations. A distinguishing feature of this study is that it examines this moderating effect for the first time in the context of Kenya airline industry. More so the contextual differences may yield different results whose findings and conclusions may not apply in the Kenyan airline firms.

1.2 Objective of the study

To establish the extent to which human capital development determine the performance of airline industry in Kenya.
To establish the extent to which the moderating effect of liberalization policy determines the performance of airline industry in Kenya.

1.3 Hypothesis

H0: There is no significant relationship between human capital development and the performance of airline industry in Kenya.

II. LITERATURE REVIEWS

2.1 Universalism Theory

Human resource practices (HR practices) are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and thus achieve organizational goals (Collins & Clark, 2003). The human Resource theory emphasizes the importance of the human element in the strategy development of organizations. The theory highlights the motivation, the politics and cultures of organizations and the individuals' desires. Organizations comprises of people, groups of individuals who may either influence or may be influenced by the strategies within an organization, they may make contribution or they may even resist the organization strategy but certainly they are affected by the same organizational strategies (Cyert & March, 1963). Human resources theory reveal that people respond to leadership, enthusiasm and share in the decision making process. People are important in an organization because they form part of the integral strategies in the formation of new strategies.

2.2 Human capital Development Emperical Review

The study by Chimhanzi and Morgans (2005) findings indicate that firms devoting attention to the alignment of marketing and human resources are able to realize significantly greater successes in their strategy implementation. Specifically, these findings imply that marketing managers should seek to improve the relationship with their HR colleagues by emphasizing two of the process-based dimensions: joint reward systems and written communication. Studies have been done on evaluating the employee's impact on company's performance and the results often showed a positive relationship between the employee's attitude and the company's performance. Companies that are perceived as best companies motivate their employee's attitude by attracting them towards different advantages (Simon & DeVaro, 2006).

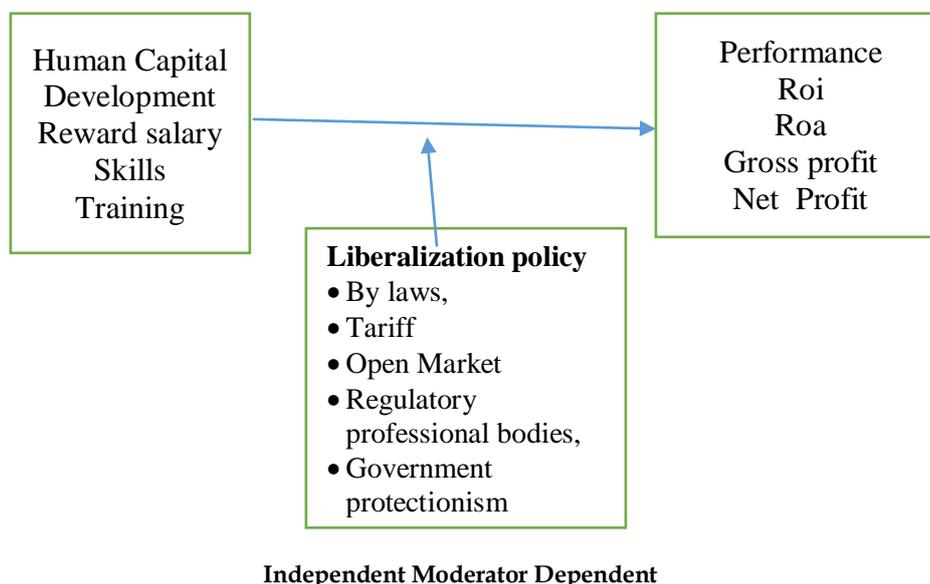


Fig 1 Conceptual Framework

III. RESEARCH METHODOLOGY

3.1 Research Philosophy

This study is approached from a positivism philosophy point of view. According to Johnson and Christensen (2005), research paradigm is a perspective that is based on the set of shared assumptions, values, concepts and practices. In other word, paradigm can be defined as a function of how researcher thinks about the development of knowledge.

3.2 Research Design

This study used both the census and descriptive mode of study as evident in the research conducted by Nderu (2013), on Influence of Survival Strategies on the Organizational Performance of Kenya Airways and Irene, (2012), on the Influence of Information and Communication Technology on Performance of Aviation Industry - A Case Of Kenya Airways Ltd.

3.3 Population

A population is termed either as finite if it consists of a fixed number of elements such that it is possible to enumerate it in its totality and it is represented by the symbol N, or a population is termed as infinite if theoretically it is impossible to observe all the elements (Kothari, 2004). The population of the study was all the registered 13 local airline companies in the aviation industry in Kenya (Maina, 2014; Oxford Economics, 2011).

3.4 Data Processing and Analysis

Qualitative information in all the interviews guides and observations were transcribed and reported in narrative reports. Tabulation of data was done by ensuring that the raw data is displayed in a compact form with descriptive analysis (mode Median, Mean and Standard deviation). This data was derived from questionnaires to test the qualitative answers provided (Kothari, 2004). Besides Probit regression was used to test hypothesis to indicate whether the individual hypothesis is statistically significant or not. The rule of the thumb is, if P-Value <0.05 then the β was considered to have a significant influence on Y. Therefore H0 will be rejected (Cooper & Schindler, 2008). ANOVA was used to provide a statistical test of whether or not the means of several groups are equal, and therefore generalizes the *t*-test to more than two groups. ANOVAs are useful in comparing (testing) three or more means (groups or variables) for statistical significance which is found in multivariate data (Gelman, 2008).

IV. Result and Discussion

4.1 Human Capital Development

The table 4.3 shows that there is a significant relationship between salary range and the airlines performance. The P-Value is 0.00, at 5% level of significance, when the alpha is 0.05. This implies that the salary ranges affect the airlines performance. This could take two positions, either the airlines employees are underpaid hence not motivated to work

effectively, or the salaries are too high that profits are limited. This study however did not seek to find out any of the two. In addition, there is a significant relationship between the salary budget and the salary cost effect on the performance of the various airlines With P-Values of 0.000 and 0.002, at 5% level of significance, and 0.05% alpha, this is an indication that there is a statistical significance relationship between the airlines profits and the salaries. Team building do not have any significant relationship on the airlines performance in Kenya. The P-Values are found to be 0.35 and 0.84 for the two relationships. Being higher than alpha, which is 0.05, at 5% level of significance, shows there is no relationship between the two variables. Lastly from the table are the employee skills. With a P-Value of 0.17, which is higher than alpha (0.05), it's clear that there is no significant relationship between the employee skills and the various airlines profitability.

Table 4.3: Probit Regression Analysis on Human Capital Development

Parameter Estimates							
Parameter	Estimate	Std. Error	Z	Sig.	95% Confidence Interval		
					Lower Bound	Upper Bound	
Salary range	-.449	.112	-4.007	.000	-.668	-.229	
Salary budget	-.075	.144	-.524	.000	-.357	.206	
Salary Cost effect	.130	.165	.786	.002	-.194	.454	
Team building	.445	.211	2.112	.035	.032	.858	
Induction	-.324	.244	-1.327	.084	-.803	.155	
Skilled employees	.042	.115	.362	.017	-.184	.268	
Intercept	20	.279	.218	1.279	.001	.061	.498
	30	.332	.220	1.513	.030	.113	.552
	60	.368	.292	1.259	.008	.076	.660
	80	-.452	.428	-1.056	.091	-.880	-.024

a. PROBIT model: PROBIT (p) = Intercept + BX (Covariates X are transformed using the base 2.718 logarithm.)

b. Corresponds to the grouping variable Training budget.

Strategic human resource can play an important role in improving a firm's performance (Simon & DeVaro, 2006). Motivated employees can bring better results as compared to unsatisfied employees. Employees perform their duty efficiently when they feel satisfied from their company (Zerbe *et al.*, 1998). Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm which will benefit the organization in the long run as it improves employee efficiency and quality of the service. Gittel, Nordenflycht and Kochan (2004) warned that it must be kept in mind that minimizing the employee cost may lead to lower employee productivity and service quality.

Table 4.2 Regression Coefficients for variables

Model	Coefficients ^a				Sig.	
	Unstandardized Coefficients		Standardized Coefficients	t		
	B	Std. Error	Beta			
1	(Constant)	.278	.087		3.202	.002
	Human Capital Devpt	.442	.078	.447	5.695	.000

a. Dependent Variable: Performance

4.2 Human Capital Development and performance before moderation

From the table 4.3, the correlation between human capital development and Organization structure is r=0.945 at P-value=0.00, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between human capital and innovation knowledge is r=0.931 at P-value=0.00, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to strategic alliances, organization resources and performance is r=0.921, r=0.909 and r=0.906 at P-value=0.00, which indicates that there is a very strong significant and positive correlation between the two variables.

Table 4.3: Organization Structure and performance before Moderation

Correlation Matrix	Organization Structure	Performance
Human Capital Development	1	.906
Pearson Correlation Sig (2 tailed) N 200	200	.000 200
Performance	.906	1
Pearson Correlation Sig (2 tailed) N 200	.000 200	

4.3 Moderating effect of liberalization between human capital development and performance

The table 4.4 the correlation between organization structure and human capital management is $r=0.945$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.4 indicate that Liberalization has an effect on the relationship, at $r=0.570$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r=0.570$ from $r=0.945$. On the innovation knowledge is $r=0.411$, strategic alliances $r=0.408$, organizational resources $r=0.344$, and on performance $r=0.298$ after moderation.

Table 4.4: Human Capital Development and performance after Moderation

Control Variable	Correlation Matrix	Human Capital Devpt	Performance
Liberalization	Human Capital Development	1.000	-.298
	Pearson Correlation Sig (2 tailed)		.000
	df 197	197	197
	Performance	.298	1.00
	Pearson Correlation Sig (2 tailed)	.000	
	df 197	197	197

4.4 Hypothesis testing

Ho There is no significant relationship between human capital development and strategy implementation on performance of airlines industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing human capital development. The result of the analysis of variance for the regression coefficient as shown in Table 4.4 and Table 4.3 revealed the sig value of 0.00 and 0.00 against the constant P value of which is $p<0.05$. As a result the null hypothesis is rejected although the effect is significant at 0.44 at correlation value. The study results were in line with previous related research on human capital development and performance (Thompson *et al.*, 2008); Barreto (2010); Chimhanzi and Morgans (2005); overall, we can conclude that the relationship between human capital development and strategy implementation on the organization performance is relevant of airlines industry in Kenya.

V. Conclusion

Human capital in view of processes that relate to training, education and other professional initiatives to increase the levels of knowledge, skills, abilities, values, and social assets of an employee lead to the employee's satisfaction and performance, and eventually on a firm performance (Marimuthu, Arokiasamy & Ismail, 2009).

The study also established that most of the successful organizations had succeeded not solely because of their financial resources but because they were able to strategically use effectively and efficiently the human capital resources at their disposal in the organization. Following the literature findings and the results of this study, organizational strategic leaders need to use effectively and efficiently develop the human capital in their organizations' as the most critical asset for the success of these organizations in our society.

There is a significant relationship between salary range and the airlines performance. The P-Value is 0.00, at 95% confidence interval, when the alpha is 0.05. This implies that the salary ranges affect the airlines performance. This could take two positions, either the airlines employees are underpaid hence not motivated to work effectively, or the salaries are too high that profits are limited. Lastly the employee with skills had a P-Value of 0.17, which is higher than alpha (0.05), it's clear that there is significant relationship between the employee skills and the various airlines profitability. The findings imply that Human capital were significant in explaining the performance of airlines in aviation industry.

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