

The Mediating Effect of Liberalization between Organization Structure in Strategy Implementation and Performance of Airline Industry in Kenya

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Abstract: This study aimed at establishing determinants 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 organization structure 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 organization structure and strategy implementation and is negatively 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).An organization structure might be regarded as a set of entities that collectively collaborate and contribute towards one common goal. In the present globalised world, organizations require tuned work systems, involving human capital interwoven with latest technological innovations (Antonio, Castro & Oliveira, 2010).Studies by Ljungquist (2007) asserted that organizational structure is considered as a higher-order resource or capability. Earlier studies have demonstrated that the external environment and strategic decisions influence the factors of organizational structure in order to implement strategies successfully (Okumus, 2003). Okumus (2003) argues that the effect of strategy on firm performance is channeled through organizational structure. Organizational structure does not directly influence firm performance but how contingent it is ultimately influences the performance of firms because contingencies directly influence costs and revenues (Eriksen, 2006).whose relevance is derived from organisation of other resources and capabilities

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 organization structure determines 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 organization structure and the performance of airline industry in Kenya.

II. LITERATURE REVIEWS

2.1 Agency Theory

Mintzberg, Joseph, and James (2003), contends that strategies emanate from the agency theory as it is the agents who are judged with the responsibility of strategic formulation by other stakeholders who have direct control over the firm. Agency theory gives us strategy formulation hierarchy that is done at four major levels in the chain of command: corporate strategy, strategic business units level, tactical level and finally the operational level where each one in charge of every level of strategy formulation is an agent. Mintzberg (1994) contends that strategic planning is essentially by agents as planners and therefore as strategists they should make their greatest contribution around the strategy formulation process rather than being inside it. Mintzberg also says that using the managers as agents to strategic planning and more particularly to strategy formulation should have a committing style to engage employees of a firm in a journey that will help shape that cause of the organizations. This theory will be beneficial to the explanation of the airlines performance and their mark of profitability ratio in relation to the agent -principle relation. Through it, it will provide an in-depth understanding of the organization structure and how information is made that determines the organizational performance.

2.2 Organization Structure Review

The empirical studies suggest a relationship between organization structure and the successful strategy implementation both local and global context. Njanja and Pelissier (2010) in a study of 176 small and medium enterprises looked at the effect of planning on performance and established that although strategic planning existed in most firms, there was need to operationalize the plans through adequate resource allocation. The study also did not establish the influence of strategic planning and the value of small and medium enterprises. Awino, Wamalwa, Imita and K'Obonyo (2011) studied the challenges facing implementation of differentiation strategy at the Mumias Sugar Company Limited in Kenya found that differentiation strategy implementation was affected by structure and this was also established by Johnson and Scholes (2003) that organization structure, processes, relationships and boundaries may cause challenges to strategy implementation.

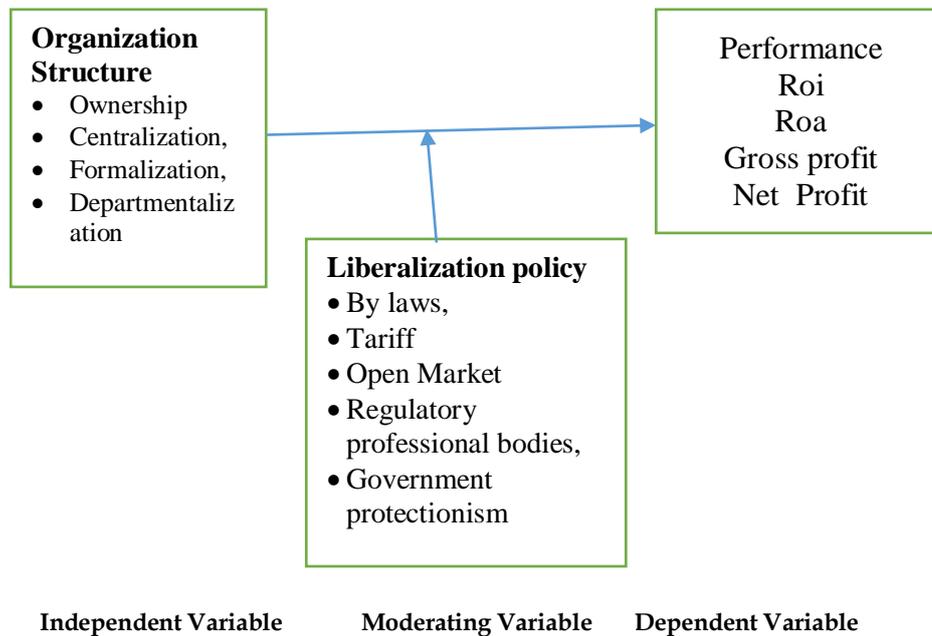


Fig 1 Conceptual Framework

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 Organization structure on Performance

The table 4.1 shows statistical Probit analysis outputs for the above variables. The P-Values all show that there is no significant relationship between organization and the airlines performance. Organization ownership has a P-Value of 0.864, .048 for high control span, 0.165 for departmentalization effects to airlines performance, and .0950 for

managements drive for airlines performance. All this being significant at 5% level of significance and 0.05 alpha. Since the significance values are above alpha, then there are no significant relationships between the organization factors and the various airlines performance levels.

Table 4.1: Probit Regression Analysis on Organization Structure

Parameter Estimates								
	Parameter	Estimate	Std. Error	Z	Sig.	95% Confidence Interval		
						Lower Bound	Upper Bound	
PROBIT ^a	Organization ownership	.034	.197	.171	.864	-.352	.420	
	High Control Span	.373	.189	1.979	.048	.004	.743	
	Departmentalization	-.403	.291	-1.388	.165	-.973	.166	
	Management drive_profit	-.010	.157	-.063	.950	-.317	.297	
	Intercept ^b	10	.025	.234	.108	.914	-.208	.259
		30	-.099	.217	-.456	.648	-.316	.118
		50	.435	.232	1.874	.061	.203	.667
	70	.211	.266	.793	.428	-.055	.477	

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

b. Corresponds to the grouping variable If yes.

The eventually study concur with the findings by Daft (2004) that organizational structure defines how job tasks are formally divided, grouped and coordinated. According to these findings, there are six elements that managers of agencies need to address when they design their organizations structure namely; work specialization, departmentalization, and the chain of command, span of control centralization, decentralization and formalization. An organization’s structure is a means to help management of achieve its objectives

Table 4.2 Regression Coefficients for variables

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.278	.087		3.202	.002
Organization Structure	-.461	.100	-.502	-4.630	.000

4.2 Organization structure and performance before moderation

From the table 4.3, the correlation between organization structure and human capital development 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 organization structure and innovation knowledge is r=0.965 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=0.890, r=0.954 and r=0.849 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
Organization structure	1	.849
Pearson Correlation Sig (2 tailed) N 200	200	.000 200
Performance	.849	1
Pearson Correlation Sig (2 tailed) N 200	.000 200	200

4.3 Moderating effect of liberalization between organization structure 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 4.3 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 $r=0.674$, strategic alliances $r=0.108$, organizational resources $r=0.648$, and on performance $r=-.220$ after moderation.

Table 4.4: Organization Structure and performance after Moderation

Control Variable	Correlation Matrix	Organization Structure	Performance
Liberalization	Organization structure	1.000	-.220
	Pearson Correlation Sig (2 tailed)		.002
	df197	197	197
Performance		-.220	1.00
	Pearson Correlation Sig (2 tailed)	197	197
	df197		

4.4 Hypothesis testing

Ho There is no significant relationship between organization structure 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 organization structure. 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 0.002 against the constant P value of which is $p<0.05$. As a result the null hypothesis is rejected although the effect is negatively significant at -0.461. The survey findings were supported by a related study on strategic effect on firm's performance Okumus (2003); Amrule (2013); Atieno and Juma (2015). In general, it can be concluded that the relationship between organization structure and strategy implementation and is negatively effective in the airlines industry.

V. Conclusion

The objective was to determine whether organization structure had an effect on the Performance of Kenyan airlines in the aviation industry. The study findings indicate that the nature of the span of control in majority of firms is high. High span of control improves performance while low span of control decreases performance. The findings further revealed that majority of firms have adopted centralized structure which was found to improve performance. The study findings further indicated that majority of the firms had a departmentalized structure which leads to improved performance.

The study found out that most airlines in Kenya are owned by private individuals, and in partnership and few owned by the public. The benefit of being a private organization is that since the government has very limited control on their management in terms of planning for the routes of the flights. Hence they can plan in such a way that they can maximize load factors according to (Jenatabadi & Ismail, 2007).

Organizational ownership has a P-Value of 0.864, .048 for high control span, 0.165 for departmentalization effects to airlines performance, and .0950 for managements drive for airlines performance. All this is at 95% Confidence interval, and 0.05 alpha. Since the significance values are above alpha, then there is significant relationship between the organizational factors and the various airlines performance levels.

It is important for airlines to institute organizational structures that support strategy implementation and that ensures improved overall coordination in inter-departmental linkages, improved span of control and communication flow. Since organizational structure on its own in the model explained 46% of the variation or change in the dependent variable (strategy implementation) airlines in Kenya should intensify on ensuring that organization structure follows strategy to ensure effective strategy implementation.

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