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Factors Affecting Strategic Choices in Airlines in Kenya: A Case Study of Kenya Airways

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Abstract:
Airlines in the world continue to make strategic choices in order to improve on their product offer, enhance better service delivery, reduce on overall costs and cope with industry competition and challenges. The main purpose of this study was to determine the factors affecting strategic choices in airlines with a special focus on Kenya Airways.
The specific objectives of the study were: to determine the effect of industry competitiveness on strategic choices in Kenya Airways, to establish the effect of leadership on strategic choices in Kenya Airways, to determine the effect of industry challenges on strategic choices in Kenya Airways and to determine the effect of organizational resources on strategic choices in Kenya Airways. The specific focus of the study was Kenya Airways, Moi Airport Mombasa in Mombasa County. The target population was 363 management level employees of Kenya Airways, Moi Airport Mombasa. The research adopted descriptive research design. Stratified sampling was employed and further disproportionate sampling to give top management more weight since they are deemed to have more relevant data in relation to the study. The sample size for the study was 36 respondents representing 10% of the population who were selected through stratified sampling. The study used both primary and secondary data. Primary data collection instrument used were questionnaires while secondary data was obtained from books, the internet and journals.
The study concludes that factors affecting strategic choices in airlines in Kenya include Industry challenges, Organizational resources, Industry Competitiveness and Leadership among others. The researcher recommends more strategic efforts to cope with industry challenges such as safety, high fuel costs, economic challenges and the highly dynamic business environment. Airlines thus need to be more innovative in strategic choice decisions. In relation to resources the researcher recommends better prioritization in resource allocation and utilization in the industry. This will lead to better resource usage lowering of overall cost and putting more resources on identified viable strategic choices. It is critical for Kenya Airways to think of better ways of strategizing to be more competitive and minimize on the current heavy losses. Efforts have been made by Kenya Airways, the latest being the low cost 'Jambo Jet', but more needs to be done. The researcher also underscores the need for KQ to strive and improve on leadership which includes more capacity building for managers and directors.

Keywords: *Industry competitiveness, leadership, industry challenges, organization resources, strategic choices*

1. Introduction and Background Information

Airlines are under unprecedented pressure to produce sustainable economic results or perish as fuel, labor and asset cost escalates and demand declines. With the industry positioned for recovery from time to time, competition is expected to intensify as low-cost carriers continue to gain market share from full-service carriers by attracting both leisure and business segments. In addition, new operating model, innovative entrants and further airline consolidation will create more difficulties and intense competition. To respond to this airlines have employed a narrowly focused near-term strategy, including reduction in seat capacity and product unbundling (for example, paying extra for a window or aisle seat, or for more exit-row legroom) which could potentially have long term consequences on customer loyalty, experience and profitability from core product. The future of the airline industry will depend on ability to harness emerging technologies to deliver superior customer experiences and secure loyalty in addition to improving operational efficiencies (Lock et al., 2010). Strategic planning and strategic choices for airlines is critical. Typically the planning and strategic choice involve strategic intent comprising one planning and decisions on either global, continental, region, county and specific segment. Second is the

strategic is the strategic assessment in relation to demand and supply, SWOT analysis, market decision and choices and forecasting. Thirdly is the network and fleet planning comprising long term and short term decisions and choices, hub design and fleet planning and choices. Fourth is the business model alignment entailing commercial, operational, subsidiaries and organizational plans and decisional choice. Lastly is business planning and implementation (Serpen, 2014). The current liberalization and deregulation is accompanied by increased privatization of the air industry and this has a significant effect on planning and choice decision. Hence more knowledge on the market is critical and need to be incorporated in strategy plans and strategic choice decisions. Competition in the air industry has forced the airlines to react differently, engaging in productivity optimization, cost cutting, lease arrangements for short term flexibility. Further competition calls for more innovation since airlines run short of customers resulting to a fight for the same. Policy intervention in the form of regulation and deregulation is too affecting the sector, for example the open sky policy to allow for fair competition. Air related charges and taxes to harmonize the market conditions (Mandel, 1999). Airlines have to show great flexibility in adjusting to the situation at every time ranging from supply demand related issues to regulatory framework. This complexity demand good planning and informed strategic choice decisions in response to the dynamic environment and future requirements.

1.1. Background Information of Kenya Airways

Kenya Airways Limited, more commonly known as Kenya Airways (KQ) which is the IATA designated code is the flag carrier and largest airline of Kenya. KQ prides itself as the African Airline and hence plans to increase concentration on the African routes and connecting the world to Africa. The company was founded in 1977, after the dissolution of East African Airways. The carrier's head office is located in Embakasi, Nairobi, with its hub at Jomo Kenyatta International Airport (JKIA). The cargo handling company African Cargo Handling Limited is a wholly owned subsidiary of Kenya Airways; partly owned companies are Kenya Airfreight Handling Limited, dedicated to the cargo handling of perishable goods and 51%-owned and Tanzanian carrier Precision Air (49%-owned), (Kenya Airways Report, 2012).

The airline was wholly owned by the Government of Kenya until April 1995, and it was privatized in 1996, becoming the first African flag carrier in successfully doing so. Kenya Airways is currently a public-private partnership. The largest shareholder is the Government of Kenya (29.8. %), followed by KLM, which has a 26.73% stake in the company. The rest of the shares are held by private owners; shares are traded in the Nairobi Securities Exchange (NSE), the Dar-es-Salaam Stock Exchange (DSE), and the Uganda Securities Exchange (USE). Kenya Airways is widely considered as one of the leading carriers in Africa-The Pride of Africa. The carrier became a full member of Sky Team in June 2010, and is also a member of the 7African Airlines Association since 1977. As of June 2012, the airline has 4,834 employees. In June 2012 the company announced the issuance of rights worth KSh20 billion, aimed at increasing capital to support expansion plans. Following the allocation of shares, KLM increased their stake in the company from 26% to 26.73%, while the Kenyan government boosted their participation into the company from 23% to 29.8%, becoming the new major shareholder of the carrier. (Data Monitor, 2009)

In order to appeal to prospective shareholders, KQ has to become more efficient and competitive. The Airlines' profitability is closely tied to economic growth and trade. KQ has to recognize the need for radical change to ensure its survival and prosperity as the future holds many challenges and effective strategic choices have to be made to successfully continue to tackle high costs and improve their products. Kenya Airways (KQ) operates domestic, regional and long-haul routes from its Nairobi hub (Wahome, 2012).

Kenya Airways operates: domestic routes between Nairobi and Mombasa, Kisumu and Eldoret; regional routes to Entebbe, Kigali, Dar es Salaam, Zanzibar and Kilimanjaro, from Nairobi and Mombasa; routes to Southern Africa (Johannesburg, Ndola, Seychelles, Lilongwe, Lusaka and Lubumbashi), North-East Africa (Addis Ababa, Cairo, Khartoum and Djibouti) and Central and Western Africa (Douala, Lagos, Accra, Abidjan and Kinshasa); intercontinental routes to Europe (London and Amsterdam) and Asia (Dubai, Bombay, Bangkok and Hong-Kong).

Recently Kenya Airways launched a new low-cost airline called Jambo Jet. It targets the main traffic routes between Nairobi and Mombasa, the largest domestic market, where it is flies alongside its parent, due to the large amount of connecting traffic on the route. Other domestic routes entail Kisumu and Eldoret. 'Jambo Jet' is a new low-cost airline set to revolutionize the way passengers travel by opening up the skies for all to fly for less as it provides affordable air travel fares and because it's a wholly-owned subsidiary of Kenya Airways, guests can be assured of top quality service and adherence to the highest international safety standards.

1.2. Statement of the Problem

Aviation industry in Kenya has grown tremendously for the last two decade. There are some factors that affect the transportation business in aviation industries in Kenya, the costs of running such business is enormous. Kenya Airways regained profitability in the year 2009/10 despite the difficult economic climate. During the year ending 31 March 2010, KQ made an operating profit of $24 million but has been recoding major losses in the recent financial years. The global airline industry operates in a service oriented industry where complexities are within a highly turbulent environment.

Strategic choice is a process that requires an organization to identify the options available, evaluate them against preferred criteria, select the best option and then take action. Good choices identify and mobilize the company to where to play and how to win in a chosen industry.

Competitive threats from multinational players in the airline industry across the globe are increasingly making domestic players more conscious of their vulnerable state and incentivizing them to proactively engage in an effort to ensure their sustainability in these turbulent times Kohli & Jaworski (1990). Industries are brimming with signs of change as firms across the world scramble to take

hold of resources and markets, both domestic and across borders in the face of increasing global competition. Organizations that are subjected to this globalized environment, characterized by fierce competition and chaotic change, are finding it increasingly important to focus on the manner in which their responses are undertaken and their strategies formulated (Jenner, 2009).

Due to traffic growth, the Kenya Airways now achieves a 75% load factor system-wide; expansion of routes creates added strain on the carrier's capacity and purchase of additional aircraft is underway. After a period when conservative strategies had to be carried out so as to gain financial strength, the airline is now in a position to carry out more aggressive approaches and more ambitious revised strategic choices have to be adopted. More destinations are to be served, especially in Africa and the Far East. Future expansion will require the Government of Kenya to negotiate additional agreements; those with Turkey and China currently underway.

Despite the previous strategic choice made by KQ, i.e. portfolio decisions such as the Jambo Jet, route expansion, optimization, efficiency and expansion related and partnership agreements the airline has poorly performed financially with the latest being the financial year 2014 huge losses for the '*African Giant - The Pride of Africa,'* amounting to 7.9 Billion attributed to harsh economic and geopolitical conditions (Naikuni, 2014). This calls for a thorough analysis into the strategic choice decisions and the underlying factors. Therefore this study seek to fill the research gap by determining how Kenya Airways needs to adapt to smart strategic choices to adopt in this competitive industry.

1.3. Objectives of the Study

The general objective of the study was to establish the factors affecting strategic choices in airlines.

1.3.1. Specific Objectives

i. To determine the effect of industry competitiveness on strategic choices in Kenya Airways.
ii. To establish the effect of leadership on strategic choices in Kenya Airways.
iii. To determine the effect of industry challenges on strategic choices in Kenya Airways.
iv. To determine the effect of organizational resources on strategic choices in Kenya Airways.

1.4. Justification

The study would benefit the management of Kenya Airways and other airline companies in understanding the effective strategic response to international markets by making the right strategic choices. The management would be able to react to international competition by expanding to new markets, diversifying or specialization. The study would also benefit the governments and policy makers in the airline industry in that they will be able to provide the leadership that the airline industry needs by formulating policies that will lead to markets liberalization. They would recognize the need to move in the right direction since reform is now necessary to support the long term health of the industry. The study would further add literature to the body of knowledge. The researchers and academic community would use this study as a stepping stone for further studies. The students and academics will use this study as a reference and a basis for discussions on the strategic choices to make to propel organizations to their potential limits.

This study findings and recommendations will be of great significance to directors, managers and strategy implementers since it will assist in revealing the underlying factors affecting strategic choices in airlines. The study will also be if great importance to academicians and researchers since it will form basic points and basis for further research.

1.5. Scope

The researcher undertook the study of '*factors affecting strategic choices in airlines at Kenya Airways*' in Mombasa County. The study focused on top management, middle level management and supervisory management. This is because they have reliable information in regard to the study. Questionnaires will be used to collect primary data.

2. Literature Review

2.1. Theoretical Review

2.1.1. Porter Five Forces Model

Porter's five forces model by Michael Porter, Techniques for Analyzing Industries and Competitors, (1980) helps in accessing where the power lies in a business situation. Porter's Model is actually a business strategy tool that helps in analyzing the attractiveness in an industry structure. It allows organizations access current strength in their competitive position and the strength of the position they are planning to attain. Porters Model is considered an important part of planning tool set. When you're clear about where the power lies, you can take advantage of your strengths and can improve the weaknesses and can compete efficiently and effectively. Porter's model of competitive forces assumes that there are five competitive forces that identify the competitive power in a business situation. These five competitive forces identified by the Michael Porter are: threat of substitute products, threat of new entrants, intensity of rivalry among existing players, bargaining power of suppliers and bargaining power of Buyers

The model has influenced the development of business insights as it involves relationships between competitors within an industry, potential competitors, suppliers, buyers and alternative solutions to the problems being addressed. We used the five-forces model as a basic structure and built on it with concepts from the works of many other authors.

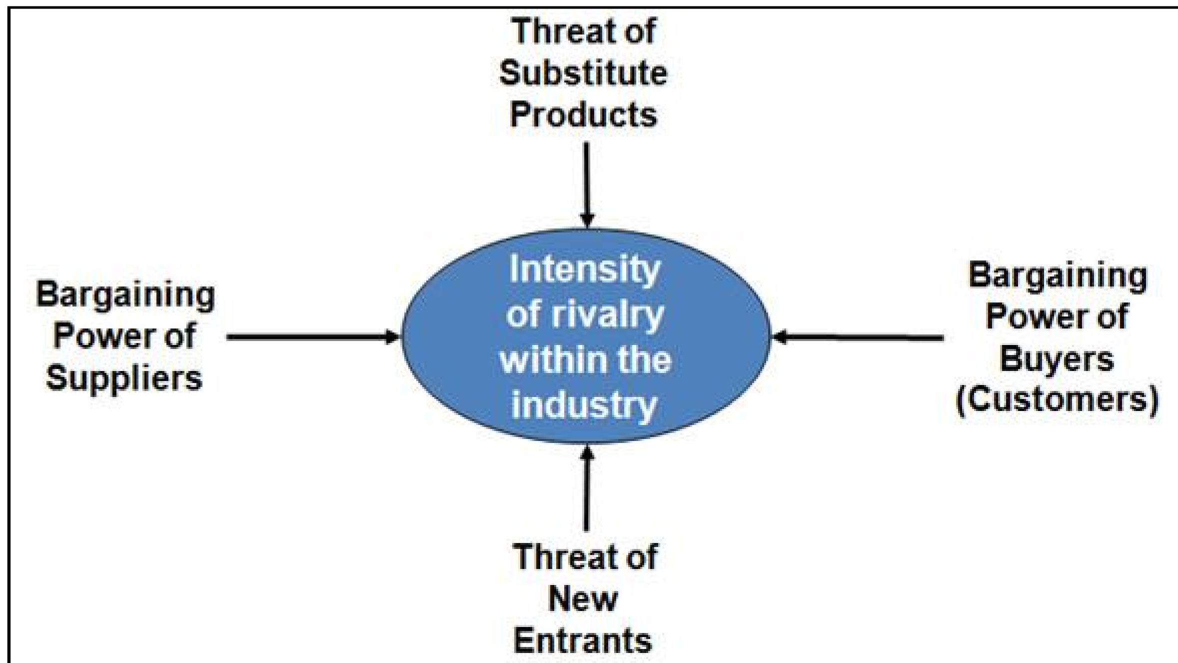

Figure 1: Porter Five Forces Model
Source: Porter, 1980

2.1.2. Resource Based Theory

The resource-based model draws attention to the strategic value of the workforce and to the issues of workplace learning. Thus it appears to embrace a 'soft' view of human resource management. The genesis of the resource-based model can be traced back in1957 when scholars suggested that organizations possess 'distinctive competence' that enables them to outperform their competitors, and conceptualized the firm as a 'collection of productive resources'. They distinguished between 'physical' and 'human resources', and drew attention to issues of learning including knowledge and experience of the management team.

More recently, Barney (1991) has posited that 'sustained competitive advantage' is not achieved through an analysis of its external market position but through a careful analysis of the firm's skills and capabilities; characteristics which competitors find themselves unable to imitate. Putting it in terms of simple SWOT analysis, the matching model emphasized the strategic significance of external 'Opportunities' and 'Threats', the resource-based perspective emphasizes the strategic plans and choices an organization may decide to follow. Understanding sources of competitive advantage has become a major area of study in strategic management (Flint and Van Fleet, 2005; King, 2007). The resource-based theory stipulates that in strategic management, the fundamental sources and drivers to firm's competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly to copy (Mills, Platts and Bourne, 2003; Peteraf and Bergen, 2003). Firm resources include all assets, capabilities, organizational processes, firm attributes, information and knowledge e.t.c. controlled by a firm (Barney, 1991). The resources are regarded as stocks of capabilities, flow of variables and combined with specific skills allow the bundle of products and sources of market oriented business to be differentiated, in order to achieve and sustain a competitive advantage.

The resource-based perspective highlights the need for a fit between the external market context in which a company operates and its internal capabilities as its grounded in the perspective of a firm's internal environment in terms of its resources and capabilities. It is more critical to the determination of strategic action than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment, the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The business strategy chosen should allow the firm to best exploit its core competencies relative to opportunities in the external environment. In the airline industry resources are critical. Some major choice decisions are difficult to make duu to inadequecy of resources such as financial, HR, technology among others.

2.1.3. Contingency Theory

Contingency theory states that in management one thing or decision depends on the other things and for organizations to be effective, there must be 'goodness of fit' between their structure and the conditions in the bigger external environment Fielder, (1964). This management approach is contingent on organizations situation i.e. any unprecedented occurrence tending to interfere. The researcher in the application of contingency theory asserts that the selected strategic choice and application must conform to its contextual factors.

Scholars assert that contingency theory represents a blend of organizational decision making perspective and organizational structure. In the application of contingency theory organizational effectiveness in area of strategic choice decision should take into consideration

of all factors relating strategic choice decision including strategic competitiveness, leadership, organization challenges, and organization structure dynamics among other contingencies that reflects the situation of the organization.

2.2. Conceptual Framework

The conceptual framework provides an illustration of the relationship between the independent variables and the dependent variable of the study.

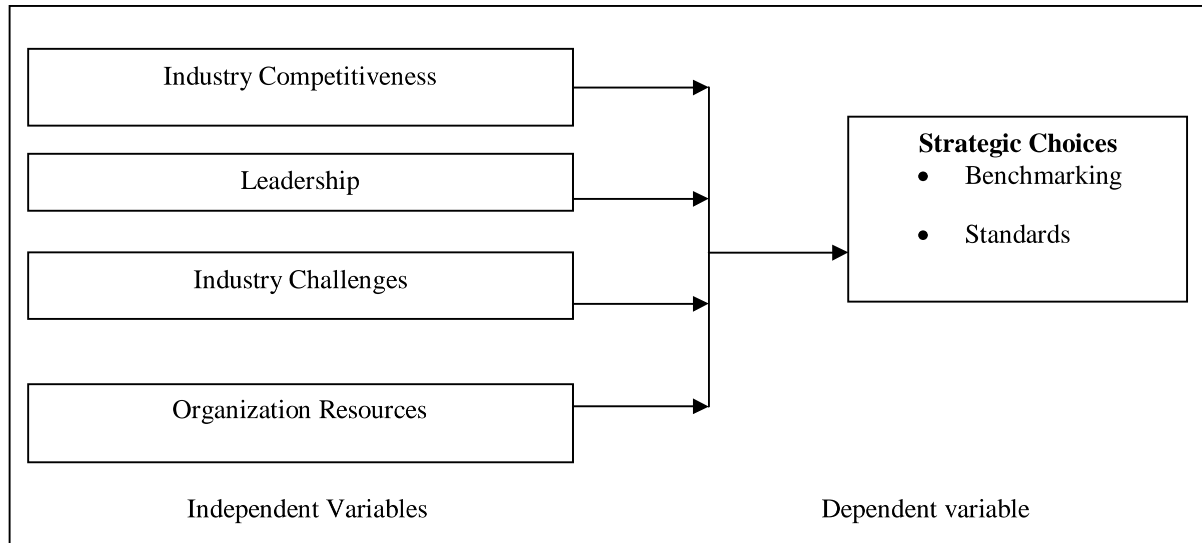

Figure 2: Conceptual framework

2.3. Factors Affecting Strategic Choices in Kenya Airways

2.3.1. Industry Competitiveness

John Collins is quoted to have said' Competition in the market place is like war'. You have injuries and casualties, and the best strategy wins. Competition is the act of striving against another force for the purpose of achieving dominance or attaining a reward or goal, or out of a biological imperative such as survival. Competition, according to the theory, causes commercial firms to develop new products, services, and technologies. This gives consumers greater selection and better products. The greater selection typically causes lower prices for the products either creating a bigger market share for the company or a smaller one.

In the 1970s the strategist's attention turned from diversification to optimizing the firm's competitive strategies and the optimizing the firms total business portfolio. Porter (1980) adds that when the different markets of the firm have growth prospects and are mixed and turbulent, before further prospects can be estimated it becomes necessary to segment the firm's environment into distinctive areas of trends, threats, opportunities. Complexity, uncertainty and turbulence in the resource technology and socio, political environment make it desirable to segment these environments into strategic resource areas, thus the essence of strategy formulation in coping with competition (Porter, 1980).

Competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors (Obado, 2005). The level of rivalry or competition in an industry therefore is determined by the concentration ratio of industry. Rivalry is low if the larger proportion of market share is held by a few large firms and high when the industry is fragmented. Porter (1980) argues that the most businesses must respond to five basic competitive forces that drive industry competition. The five forces are; threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. Existence of these factors; high exit barriers, slow market growth, high fixed costs, low buyer switching costs and low levels of product diversification intensify rivalry in an industry and forces the rival firms to seek competitive advantage in ways that elicit counter-response from rivals, reducing profitability and industry attractiveness.

Porter's model is a powerful tool for systematically diagnosing the chief competitive pressures in a market and assessing how string and important each one is. Kitoto (2005) confers that a proper analysis of the five forces will help a firm choose one of the generic strategies that will effectively enable the firm to compete profitably in an industry. Managers therefore can only develop and choose winning strategies by first identifying the competitive pressures that exists gauging the relative strength of each and gaining a deep understanding of the industry's whole competitive structure. The Porters Five Forces Model allows for determination of the attractiveness of the industry. With the knowledge about intensity and power of competitive forces, airlines i.e. KQ can then develop options to influence them in a way that improves their own competitive position. To survive, KQ must tailor their strategies to suit the changing market place. The winning strategy chosen can change the impact of competitive forces in the airline industry. The objective is to reduce the power of competitive forces.

As the airline industry is dynamic and unpredictable with high fuel costs, low passenger numbers and increased security alerts, following Porters model, KQ should be flexible, reading insight as the trends require and also trying to get out of every situation and

being proactive to competitive forces. With the knowledge of intensity and power of competitive forces, KQ can develop options to influence them in a way that improves their own competitive position. The result could be a new strategic direction, new positioning, strategic partnerships, collaboration or strategic alliances. In the airline industry it is not clear whether the presence of the airline can critically affect the pricing strategies of low-cost carriers. Pitfield (2005) in the analysis of the routes originating from Nottingham East Midlands airport argues that when it was possible to observe how low-cost in direct competition, results showed a weak influence of the competitive structure in prices. The historical pattern of the fares offered by each airline seems to play a more important role, as it would be expected in a situation of price leadership. In the study examining the London-Berlin and London-Amsterdam routes, Barbot (2005) found that the low-cost and full-cost markets co-exist on totally complete 'only' among themselves, as do full-cost carriers.
The study of price dynamics and competition raises interesting questions. Many travelers have probably noticed that prices often tend to increase as the flight date approaches. McAfee and Te Velde (2006) have argued that in the period preceding the flight date, the price trend mainly depend on the tradeoff between the option of waiting for a potential lower price, and the risk of seats becoming vacant. In this case the functional form of the demand curve, together with its adjustment overtime also helps to determine a series of minimum prices. Malighetti et al., (2009) on the study of low cost business has highlighted the issue of containing cost as a key area in the airlines. They have argued that the issue of containing cost is one of the reasons for success of low cost carrier. Alertness to 'latent demand,' characterized by the passenger willingness to pay elastic prices, which is not the attitude of the so-called ''traditional'' passenger is among key factors.

2.3.2. Leadership

Good leadership is a vital factor that influences choices made by an organization. It ensures that the organization effort is united and directed towards achievement of its goal. The leadership of the organization should be at the fore front in providing vision, initiative, motivation and inspiration. The management should activate team spirit and act as a catalyst in the whole strategy implementation process. As much as possible, the organization should fill in relevant position with qualified people committed to change efforts (Bryson, 2012).
Organizations need strategic leaders to help it overcome inhibitions on risk taking and resource allocation. A strategic director such as Bill Gates at Microsoft influence strategic decisions in their organization by affecting the components of strategy. The role of leadership in strategic decision making is critical as they set the tone, culture and widens the horizons of the organization.
Their interventions affect all components of strategy and leadership of an organization may emphasize different aspects of strategy at different times. As organizations mature and face transition, leadership must be able to respond, identify and recognize the new skills required. More often the skills required during the change period is strategic (Porter, 1980). Leadership is the most essential ingredient in organizational sustainability and is the controlling force in organizational development. It is the key to a realistic assessment of problems and opportunities, establishment of priorities, and the marshalling of internal and external resources to address these priorities. In effective organizations, leadership does not reside only at the top; elements of it are evident at various levels of the organization. Strategic decision takers build routes and guide their response to challenges. It is important to understand the orientation of management when analyzing why they take certain decisions at certain times. The age, education, training and experience of management is indicative of the ability and innovation the management will bring to bear on strategic decisions of their organization. Management is a process that will lead to mistakes or success in strategic planning and implementation. Poor and incompetent managers lead to organization failure.

2.3.3. Industry Challenges

Airlines are operated in an extremely dynamic and often highly volatile commercial environment. The airline industry is constantly undergoing change, and the ability to react and adjust swiftly is imperative. The need to improve safety, reliability, and customer appeal while offering competitive prices is an ever-present challenge. Meanwhile, airlines face the following pressures: Globalization and the trend toward mergers and alliances require the flexibility to adjust accordingly; world financial instability and eroding yields make it more important than ever to streamline processes, reduce redundancies, and simplify system architecture to lower costs; because the industry is so competitive, airline operators must analyze every aspect of their business and that requires fast, flexible, and focused access to information for sound decision making; and quality customer service differentiates one airline from the other and helps secure customer loyalty.
Keynes (2009) states how the sector has gone through a drastic change on both the supply and the demand side. Keynes (2009) sates that unlike other industries; airlines are subject to rapid change from customer expectations, competitor moves, supplier developments, government regulations and employee dynamics. Bissessur & Alamdari (2008) state that with increased liberalization in major airline transport markets, the intensity of competition has increased amongst air carriers. Bunz & Manes (2010) state that this is an era in which adopting to change means survival thus management teams need to adapt to smart strategic choices to survive in the industry.
Clark (2011) argues that the economic and airline industry conditions of the next few years, including the potential for a slow economic recovery, continued high unemployment, a tight credit market, airline network restructuring related to consolidation and airline alliances, continued oil price volatility and the uncertainty of airport funding sources, present airport operators and airline with unprecedented challenges. He adds that the choices that airport operators and airlines are likely to focus on will focus on: optimizing scarce funding sources, monitoring and evaluating airline industry changes, implementing energy efficiency and sustainability, seeking commercial business development and lastly promoting economic development and community support.

2.3.4. Organization Resources

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (1991) examines the link between firm's resources and sustained competitive advantage. Four empirical indicators are the potential of a firm's resources to generate sustained competitive advantage and include, value, rareness, inimitability, and non-substitutability. By analyzing the potential of Kenya Airways resources for generating sustained competitive advantages, the airline will be in a better position to make smart strategic choices. (Masons, 2002), firms' resources include all assets, capabilities, organizational processes, firm's attributes, information, knowledge and much more that enables a firm to conceive and implement strategies to improve its efficiency and effectiveness. As a result, an organization is said to have competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991). As mentioned, the resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage, which eventually leads to a more superior organization.

Resources can be categorized as tangible resources, namely human, physical, organizational and financial, and intangible resources such as reputational, regulatory, positional, functional, social and cultural). Out of the categories of resources cited above, human resources and intangible resources are deemed to be the more important and critical ones in attaining and sustaining a competitive advantage position because of their natures, which are not only valuable but also hard-to-copy relative to the other types of tangible resources namely physical and financial. SHRM in relation to long term decision and choices can be a major source of competitive advantage. Resources are the foundation for attaining and sustaining competitive advantage and eventually superior organizational performance.

Scholars argue that physical resources such as machinery, equipment, production technology and capacity contribute positively towards organizational competitive advantage and eventually result in superior organizational performance. In addition, financial resources such as cash-in-hand, bank deposits or savings and financial capital (e.g., stocks and shares) also help explain the level of organizational competitive advantage and performance. Furthermore, experiential resources such as product reputation, manufacturing experience and brand name can account for the variation in organizational competitive advantage and performance .Human resources such as top and middle management, administrative and production employees are also able to elucidate the extent of organizational competitive advantage and resulting to organizational performance. In short, organizational resources are the foundation for attaining and sustaining competitive advantage. The potential to generate competitive advantage, a firm's resource must have some certain attributes such as, it must be valuable in the sense that it exploits opportunities and neutralizes threats in a firm's environment, it must be rare among a firm's current and potential competition, it must be imperfectly imitable and there cannot be strategically equivalent substitutes for this resource. Competitive advantage is the basis for superior performance and understanding the anatomy of competitive advantage is of paramount importance to general managers who bear the ultimate responsibility for a firm's long term survival and success. Scholars further advances an integrative framework called "select" to help general managers systematically examine the various facets of the anatomy of organizational resources that contribute to competitive advantage: its substance, expression, locale, effect, cause, and time-span. It has been reasoned that by analyzing the causes of competitive advantage helps a firm create and gain advantage by use of their organizational resources.

2.4. Strategic Choices

Literature on strategic choices differs on terminology, emphasis and classification. However, the salient notions are common and scholars state that for an organization to be both effective and efficient; there will be four components to any of its strategy. They name scope, the extent of the organization present and planned interaction with its environment as one significant factor . This could be referred to as the organization domain. Secondly, resource deployment is an important aspect of strategic choice. Scholars suggest that the organizations past and present resource and skill deployment will affect how it achieves its goals and objectives. Financial strategy needs to take care of the risk returns

The financial decisions made by management relate directly to added value of the organization. The skill an organization has could enable it deliver a service or a product in a way that no other organization can replicate. This could also be referred to as distinctive competence. Another component of strategic choice is that which relates to competitive advantage. The use the same terminology and the same accent that any strategic decision in an organization must concern itself with unique position an organization develop against its competitors. It is suggested that achieving competitive strategy is an essential base of strategic business unit of an organization.

A strategic choice is an aspect of strategy that is considered before any strategic decision is completed. Any action or achievement that conflicts with other operations in the organization may reduce its value. However, the managers should make a choice to seek for synergy. Synergy refers to the degree to which various resource deployments and interactions of the organizations with its environment reinforce or negate one another. A major strategic concern of any organization is selecting a strategy to produce a product or offer service would be how the new projects would affect the existing programmes activities. Airlines are under unprecedented pressure to produce sustainable economic results or perish as fuel, labor and asset cost escalates and demand declines. With the industry positioned for recovery from time to time, competition is expected to intensify as low-cost carriers continue to gain market share from full-service carriers by attracting leisure and business segments Lock, Fattah and Kirby, (2010). The strategic choice decision should follow analysis of industry information. In relation to pricing in the airline industry, research shows that the general dynamic pricing intensity is complex. Positive correlation has been identified between fares and route length, route frequency and percentage of fully booked flights Malingetti et al. (2009).

Air travel remains a large and growing industry in Kenya and Kenya Airways being the national carrier it facilitates economic growth, world trade, international investment and tourism and is therefore central to the globalization taking place in many other industries. The key issues facing today's airlines are optimization, improved capacity, cost savings and the ability to react quickly to changes. The portfolio of solutions for KQ planning and control ranges from network planning, code share handling and crew management, to pricing, price distribution and revenue management. The portfolio is rounded out by business intelligence services, marketing and sales solutions, and consulting. As a result KQ has to make vital strategic choices to gain competitive advantage. Competition has been on the rise for both profit and nonprofit organizations. This situation called for KQ to be conscious of the strategies they choice to adopt. Managers are compelled to be keen on the strategic choices and decisions they make as this will affect the survival of the company. As a result the airline needs to respond swiftly to the global changes and amend its strategies for achieving its objectives.

2.5. Empirical Review

A strategic plan is a set of processes undertaken in order to develop a range of strategies that will contribute to achieving the organizational direction (Tapinos et al., 2005). This therefore calls for formulation of a coherent document which will guide the efforts of all the stakeholders, outline what the organization is trying to achieve and how it intends to achieve it. Strategies can be formulated in three levels that is; corporate, business and functional level. At corporate level strategies are formulated by the top level management or the board of directors. At business level strategies are formulated by middle level managers for example; human resource manager, marketing manager, production manager among others (Yabs, 2010). Strategy formulation at functional level is done by first line managers or supervisors (Sababu, 2007).

Strategy implementation has been widely recognized as a key management challenge (Li et al., 2008) yet it remains a comparatively under addressed area in strategic management literature (Hutzschenreuter & Kleindienst, 2006). In addition, Li et al. (2008) describes strategy implementation as dynamic, iterative and complex process which is composed of a series of decisions and activities by managers and employees who are affected by a number of interrelated internal and external factors as they strive to achieve strategic objectives through implementation of strategic plans. Manager's major task is to assure the continued existence of their organizations. To this end, one of the concepts that have been developed and is very useful to management's strategy. Various leading management scholars and practitioners have underscored the importance of this concept. Different authors have defined strategy in different ways. The various definitions suggest that the authors gave selective attention to aspects of strategy, which are all relevant to our understanding of the concept.

Porter (1980) viewed strategy as building defense against the competitive forces and finding positions in the industry where the forces are weakest. Knowledge of the company's capabilities and of the causes of the competitive forces will highlight the areas where the company should confront competition and where it should avoid. Strategies need to be considered not only in terms of the extent to which the existing resource capabilities of the organization are suited to opportunities but also in the terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

As a plan, strategy specifies a consciously intended course of action of an organization. The strategy is designed in advance of actions and is developed purposefully. As a ploy, strategy is seen as a maneuver to outwit competitors. As a pattern, strategy is seen as a pattern emerging in a stream of actions. Strategy is seen as a consistency in behavior and the strategy develops in the absence of intentions. As a position, strategy is a mean of location an organization in its environment. Strategy as a perspective consists of a position and of an ingrained way of perceiving the world. It gives an organization identity or a personality. As evidenced in these varied definitions, none can be said to capture explicitly all the dimensions of strategy. Lack of a precise definition of strategy can be attributed to the fact that strategy is a multi-dimensional concept in terms of content and substance which, embraces all critical activities of the organization providing it with a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by its environment. However, most authors in terms of definition emphasize on the essence and nature of strategy and agree that strategy is a unifying theme that gives coherence and direction to the actions and decisions on an organization. (Jr, 2001).

Similarly, strategy helps companies to cope with change. Due to the constant changes in an organization's operating environment, companies need strategy in order to respond to these changes at all times. Strategy can help to guide the pattern of responses of the companies to changes taking place in their environment. Strategy enables companies to focus their resources and effort. The development of strategy helps managers identify critical tasks that need to be performed and hence helping in defining an organizational strategic thrust. Strategy also helps an organization to outperform the competition successfully. Porter (1980) underscores the role of strategy by arguing that the goal of strategy is to help secure enduring competitive advantage over competitors. A strategy is best implemented if it has a supporting organizational structure. If an organization has developed an appropriate strategy, this becomes a good guideline in designing an appropriate structure to carry out the strategy. In essence, therefore, strategy helps in achieving a more effective organization. Thompson & Strickland (2003) points out that an excellent strategy is the best test for managerial excellence and the most reliable recipe for organizational success.

2.6. Measurement of Strategic Choice Decisions

Strategic choice decisions can be measured by how well the firm meets its strategic projections set out by management. The set goals in the strategic choice are central in the operational activities of the firm. Various metrics can be used to measure or evaluation of strategic choice decisions. Among the most common include benchmarking and the use of standards. Benchmarking within the industry best practices, provides an opportunity for evaluation. In addition, benchmarking can be done within the organization itself, i.e. by making comparison with the previous strategic choices. Benchmarking can also be applied to measure achievements against

best practices within the industry in relation to strategic choice decisions. Standards can also be applied to measure or evaluate strategic choices.

3. Research Methodology

3.1. Research Design

A research design is the general plan of how one goes about answering the research questions Sauders, Lewis & Thornhill, (2007). The study adopted a descriptive survey design as it aims at collecting information from respondents on factors affecting strategic choices in Aviation industry at Kenya Airways. Descriptive survey research designs are used in preliminary and exploratory studies to allow the researchers gather information, summarize, present and interpret data for the purpose of clarification (Orodho, 2009). According to Mugenda & Mugenda (2003) the purpose of descriptive research is to determine and report the way things are and it helps in establishing the current status of the population under study. The design was chosen for this study due to its ability to ensure minimization of bias and maximization of reliability of evidence collected.

3.2. Target Population

The study targeted 363 management employees of Kenya Airways, Moi Airport Mombasa. The population targeted comprised of Top level management of the Airline industries which operate from Kenya Airways and which have offices in Mombasa-Kenya. Moi Airport Mombasa was selected as the case study due to proximity to the researcher, time available for research and budgetary constraints.

3.3. Sampling Frame

Mugenda & Mugenda (2003) argues that sampling is that part of the statistical practice concerned with the selection of individual or observations intended to yield some knowledge about a population of concern. They advise that a researcher sample size of 10% to be appropriate as long as the sample size is more than 30, ($n > 30$)

3.4. Sampling and Sampling Techniques

A sample is a small group of objects or individuals selected or drawn from a population in such a manner that its characteristics represent population characteristics (Orodho, 2009). It is that part of research plan that indicates how cases are to be selected for observation (Kombo & Delno, 2011) Stratified sampling was used and it enabled the population to be divided into three segments called strata comprising the three levels of management in Kenya Airways. The researcher then applied simple random sampling to draw subsamples from each stratum. Those sub-samples were added together to form complete stratified samples. Disproportional allocation was employed, where each stratum i.e. the management level at KQ contributed to the sample a number that is un-proportional to its size in the population. This enabled concentration of more weight to senior level management who are deemed to have more relevant information in relation to the study by virtue of day today encounter with strategic choice decisions.

3.5. Data Collection Instruments

Primary data was collected using structured questionnaires which were self-administered to the target population. The instrument was used because it covers a large number of respondents at a relatively shorter period of time. In addition, it gives the respondent the privacy to give free and independent opinions because of absence of the researcher.

3.6. Data Collection Procedures

The researcher used both primary and secondary data. Structured questionnaires were used to collect primary data from respondents. Self-administered questionnaires were administered to the respondents.

3.7. Data Processing, Analysis and Presentation

The process of data analysis involves data cleanup and explanation, after that the data is coded and checked for any errors and omissions (Kothari, 2012). Data analysis pertains to examining, categorizing, tabulating, testing or otherwise recombining both quantitative and qualitative evidence to address the research question(s). Data was analyzed using multiple regression model on SPSS Version 22.

4. Research Findings and Discussions

The first objective was to determine the effects industry competitiveness on strategic choices in Kenya Airways. Respondents were required to respond and give their opinions in relation to the airline industry competitiveness and strategic choices decisions. The respondents indicated that issues relating to competition being critical, choice of long term decision as a source of competitive advantage and the issue of comparing business choices to those of competitors are significant in Kenya Airways. This is due to a high mean of above 4, and a coefficient of variation of below 20%, low level opinion dispersion. On the issue of organization learning about industry markets and other external factors, respondents appeared not fully in agreement. As indicated by the respondents this is in agreement with the argument that competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors (Obado, 2005).

The second objective was to establish the effects of leadership on strategic choices in Kenya Airways. Respondents were required to respond and give their opinions in relation to leadership and strategic choices in Kenya Airways. The respondents' opinions showed that leadership and direction is critical in making long term decision and also identified poor leadership as a major cause of failure in strategic decision choices as supported by means of above 4 and a dispersion of below 25%. Respondents were not fully supportive of managers' immense contribution in long term decision choice. In addition they were also somehow neutral managers' failure in strategic decision roles as supported by means of above 3.5. The respondents felt the importance of leadership which concurs with the assertion that as much as possible, the organization should fill relevant position with qualified people committed to change efforts (Bryson, 2012).

The third objective was to establish the effects of industry challenges on strategic choices in Kenya Airways. Respondents were required to respond and give their opinions in relation to industry challenges and strategic choices in Kenya Airways. Opinions on unprecedented occurrences affecting strategic decisions choices and challenges consideration as normal issues in decision making respondents were somehow neutral as indicated by above 3.5. Respondents supported that taking into consideration external factors in their decision preferences and challenges are significant in decision choice making in Kenya Airways as indicated by means of above 2.5.

External factors were considered critical in decision making in Kenya Airways, an assertion supported by Bunz & Maes (2010) who have argued in the current state that this is an era in which adopting to change means survival thus management teams need to adapt to smart strategic choices to survive in the industry

The fourth objective was to determine the effect of organizational resources on strategic choices in Kenya Airways. Respondents were required to respond and give their opinions in relation to some set item questions related to the effect of organizational resources on strategic choices in Kenya Airways. Respondents were in agreement on the view that organization resources are significant in strategic decision choice, lack of organization resources negatively affect long term choice decisions and adequate organization resources positively affect long term choice decisions as supported by means of above 4 and a dispersion of below 25%. In addition they were in support that relationship exists between decision choice making and organization resource utilization as illustrates by a low mean of 2.22. Significance of resources is highly noticed, an idea supported by Barney (1991) who has examined the link between firm's resources and sustained competitive advantage in organizations.

On strategic choice decision indicators respondents were required to respond to some question items related to strategic choices in the airline industry. Respondents' opinions indicated support that Kenya Airways choices are based on strategic plans and criticality of information gathering in long term choices decision. However the respondents were somehow neutral on employees and other stakeholders' contribution to long term choice decisions and the company value for innovative ideas in long term choice decision as illustrated by a mean of above 3.5. Positive correlation has been identified between fares and route length, route frequency and percentage of fully booked flights Malingetti et al. (2009). This indicates use of strategic plan and strategies, an issue supported by the respondents of Kenya Airways.

4.1. Regression Analysis

Correlations-Pearson					
	Strategic choices	Industry Competitiveness	Leadership	Industry challenges	Organizational resources
Strategic choices	1.000	.968	.946	.976	.973
Industry Competitiveness	.968	1.000	.966	.962	.966
Leadership	.946	.966	1.000	.947	.950
Industry challenges	.976	.962	.947	1.000	.956
Organizational resources	.973	.966	.950	.956	1.000

Table 1: Correlation Analysis

Table 1 indicates coefficients of correlation, R for the four variables under study, Industry Competitiveness 0.968, Leadership 0.946, Industry challenges 0.976 and Organizational resources 0.973. This means that there exist a very strong positive relationship between the four dependent variables and the independent variable, strategic choices.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.986[a]	.973	.970	.17625	.973	279.329	4	31	.000

Table 2: Regression Analysis Summary

Predictors: Industry challenges, Organizational resources, Industry Competitiveness, Leadership,
Dependent variable: Strategic choices.

Table 2 above shows the summary of the regression model, i.e. the summary of the relationship between the four dependent variables namely, Industry challenges, Organizational resources, Industry Competitiveness, Leadership and the dependent variable, Strategic choices. From the table above, R Square has a value of 0.973, which means that 97.3% of strategic choices in Kenya Airways are affected by the four factors namely, Industry challenges, Organizational resources, Industry Competitiveness and Leadership while the rest 2.7% is affected by other factors

4.2. Anova

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.709	4	8.677	279.329	.000[b]
	Residual	.963	31	.031		
	Total	35.672	35			
a. Dependent Variable: Strategic choices						
b. Predictors: (Constant), Industry Competitiveness, Industry challenges, Leadership, organizational resources						

Table 3: Anova

The study used Anova to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the P value was less or equal to 0.05. The significance of the regression model is as per Table 3 above with P value of 0.0 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors affecting strategic choices in Kenya Airways. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained.

5. Summary, Conclusions and Recommendations

5.1. Summary

The background information of respondents from Kenya Airways indicates that majority 50% were from frontline department, followed by sales, cargo, ICT and finance and accounts. On education level majority have diploma and bachelors. Work experience in Kenya Airways indicates that 77.8% posses experience of 6-10 years and thus may have relevant information in relation to strategic choice decisions in Kenya Airways.

In the analysis the researcher used a rating scale of 5 to 1, where 5 was the highest and 1 the lowest. Opinion were rated as follows, 5 = strongly agree, 4 = agree, 3 = neutral, 2 = strongly disagree and 1 = disagree. This rating scale was used for the calculation of mean, standard deviation, coefficient of variation and in the regression analysis. The mean was used to give the analysis results, the standard deviation gives the level of respondents' opinions dispersion and the same is backed by coefficient of variation which indicates the level of dispersion in percentages.

The analysis showed the correlation coefficients of correlation, R for the four variables under study, Industry Competitiveness 0.968, Leadership 0.946, Industry challenges 0.976 and Organizational resources 0.973. This means that there exist a very strong positive relationship between the four dependent variables Industry challenges, Organizational resources, Industry Competitiveness and Leadership and the dependent variable strategic choices. The regression model indicated the summary of the relationship between the four dependent variables namely, Industry challenges, Organizational resources, Industry Competitiveness, Leadership and the dependent variable, Strategic choices. From the table above, R Square has a value of 0.973, which means that 97.3% of strategic choices in Kenya Airways are affected by the four factors namely, Industry challenges, Organizational resources, Industry Competitiveness and Leadership while the rest 2.7% is affected by other factors.

5.2. Conclusions

The study concludes that factors affecting strategic choices in airlines in Kenya include Industry challenges, Organizational resources, Industry Competitiveness and Leadership among others. The number one factor is Industry challenges followed by Organizational resources, Industry Competitiveness and Leadership in Kenya Airways. Managers engaged in operational activities of the organization were major respondents thus possibilities of them having relevant information in relation to strategic choices is very high. There is need for Kenya Airways to provide more training/education for its managers to enhance them in key decision making areas as indicated by few masters' level managers. These are managers involved in day today strategic decision making activities and thus high possibility of them giving relevant information in KQ. In relation to KQ, the factors discussed i.e. industry competitiveness, leadership, industry challenges and organization resources have a lot of influence in strategic choices decision in KQ. Strong

coefficients of correlation, R for the four variables under study, Industry Competitiveness 0.968, Leadership 0.946, Industry challenges 0.976 and Organizational resources 0.973 is an indication of the same.

5.3. Recommendations

The four factors affecting strategic choices in Kenya Airways namely, Industry challenges, Organizational resources, Industry Competitiveness and Leadership are significant areas of interest to managers and directors in Kenya Airways and the airlines industry in general. Making strategic choice decisions is highly dependent on those factors. Consequently manager and directors within the industry cannot afford to ignore these factors in their day today strategic choices decision making. Otherwise, managers and director in the airline industry should strive to understand more on dynamics related to those factors.

The researcher recommends more strategic efforts to cope with industry challenges such as safety, high fuel costs, economic challenges and the highly dynamic business environment. Airlines thus need to be more innovative in strategic choice decisions. This is in line with Bunz & Maes (2010) who have argued that this is an era in which adopting to change means survival, thus management teams need to adapt to smart strategic choices to survive in the airline industry.

In relation to resources the researcher recommends better prioritization in resource allocation and utilization in the industry. This will lead to better resource usage, lowering of overall cost and putting more resources on identified viable strategic choices. Scholars have identified resources as a source of competitive advantage and argued that competitive advantage is the basis for superior performance in an organization.

It is critical for Kenya Airways to think of better ways of strategizing to be more competitive and minimize on the current heavy losses. Efforts have been made by Kenya Airways, the latest being the low cost 'Jambo Jet', but more needs to be done. Kitoto (2005) confers that a proper analysis of the five forces will help a firm choose one of the generic strategies that will effectively enable the firm to compete profitably in an industry. The researcher also underscores the need for KQ to strive and improve on leadership which includes more capacity building for managers and directors. More experience exhibited by manages forms a good source of relevant information as far as the topic of the study is concerned.

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