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Strategic Alliances Practices on Performance of Local Airlines in Kenya

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Abstract:
Freedom in the airline industry coupled with deregulation has created variation in fares in response to demand, created by the challenging and ever-changing competitive environment leading to the entry of many airlines in the industry. However, airlines have been met with many challenges to remain operational and competitive in the industry. Airlines have changed their dynamics of operation to counter network carriers in the industry by forming strategic alliances, which have become a powerful tool for these airlines, enhancing revenue, expanding networks, and rationalizing costs. The main purpose of this study was to assess strategic alliance practices on the performance of local airlines operating in Kenya. Specifically, the study sought to:
- *Determine the effect of entry behavior practices,*
- *Competitive market practices,*
- *Bargaining power, and*
- *Transaction costs on the performance of local airlines*

The study was anchored on the following theories:
- *Market power,*
- *Transaction cost,*
- *RBV of a firm, and*
- *The institutional theory*

The study used a descriptive research design and targeted all 59 Airline companies currently operating in Kenya. The study purposively targeted the heads of Strategy, Marketing, Product and Development, and Finance, yielding a total of 236 respondents. However, the study scientifically applied a 30% sampling technique of the target population to attain a representative sample size of seventy–one study respondents. Primary data were collected using a structured questionnaire through a 'drop and pick' method. A pilot study was conducted on six Airlines to test the reliability and validity of study tools. The collected data were analyzed both descriptively and inferentially using Statistical Package for Social Sciences (SPSS) computer software Version 24. The study results were presented in statistical frequency distribution tables. The study results revealed that entry behavior, competitive market, bargaining power, and transactional cost all had a statistical and significant positive effect on performance. Moreover, the study showed that strategic alliance practices jointly accounted for approximately 80.82% ($R^2 = 0.8082$) variation in the performance of these local Airline firms in Kenya. The study hence recommended that the management of local Airlines improve on these strategic alliances to improve their performances.

Keywords: *Strategic alliances, entry behavior, bargaining power, transaction costs, performance*

1. Introduction

In today's economy, the chance of companies competing with their own resources and surviving alone is decreasing day by day. Until the late 1980s, the International Air Transport Organization (IATA) strictly adhered to airline service standards, with the management of the global Airlines adhering to strict rules, gaining momentum with the movement of liberalization. After the 80s, a new structure was created with the effect of liberalization in the airline sector, and competition increased with the increase of the actors in air transport. Airline companies have entered into a process of cooperation and integration to get more shares from national and international markets and increase their competitiveness. According to Gudmundsson and Rhoades (2017), reducing costs is considered one of the most important driving forces for airlines to become members of global airline alliances.

Rajasekar and Fouts (2016) define alliance networks as those that have loose collections of firms with disparate interests and capabilities. Since the competitive behavior of an alliance network is driven by the nature of collaboration among members inside the group, each alliance partner should be chosen with care to provide the necessary skills to the

alliance as a whole. He also asserts that the alliance networks not only re-shape rivalry in the industry but also create collective competition. This new structure and dynamics of competition depend on the collective behaviors of allied firms. Hence, the number of member firms in an alliance group affects how the group competes as a single entity.

Airlines can improve their profitability and market share through alliance cooperation, benefiting from schedule convenience, connectivity, and flow improvement. Air carriers increasingly use strategic alliances to take full advantage of the economies of scale that internationalization offers. A study by Park (2017) intones that over the last two decades, air transport has undergone major changes owing to the increasing globalization of the industry that has put more pressure on the management to devise appropriate strategies for survival hence performance. Consequently, since the competitive landscape of the airline industry is changing significantly, while being confronted with new entrants into their markets and risk losing a considerable percentage of their market share to newly formed low-cost airlines, a study by Schaeffer (2018) argues that airline alliances are creating trends that are consolidating control of flights in 82 percent of the market share.

These strategic alliances can equally lead to better access at congested airports, where landing restrictions, lack of landing and take-off slots, and other constraints would otherwise exist. Moreover, alliances are theorized to reduce costs through economies of scale associated with joint marketing, maintenance, ground facilities, training, and computer reservation systems and through the elimination of duplication and redundancy in operation (Borenstein & Rose, 2019). Thus, the overall aim of airline alliances, according to Rajasekar and Fouts (2016), is to enhance the competitive position of partner airlines and equally achieve higher profits for each partner.

The airline industry regulation began in the US when the government introduced policies to promote consumer or public interest with the Civil Aeronautics Act of 1938. The regulation framework included only airlines that are owned by the state, controlling competition across borders: the civil aeronautics board-controlled entry, exit, pricing, mergers, and intercarrier agreements. The policies placed the early airlines in a non-competitive position in their local markets as they imposed barriers to the entry of the new airlines. Over the years, there was increasing dissatisfaction with the regulation policies as they were not promoting public interest but instead promoted the interest of the airline industry. In 1978, the enactment of the airline deregulation act changed the narrative of whether the airline industry would be competitive and profitable. The deregulation shifted the control of the airline industry from government control to the market sphere with total government laissez-faire. As a result, a changed state of competition with new market entrants locally and across borders (Vaara, Kleymann & Seristö, 2004). The legislation unveiled a series of adjustments in the airline industry, revising travel fares and services. The adjustments affected all industry stakeholders, the airports, airlines, engine manufacturers, investors, and travelers. The industry stumbled over the upheavals and made necessary adjustments to meet the market's demands. The deregulation process left many airlines bankrupt, and many investors lost billions of dollars, some airlines being absorbed by others (Peterson, 2018). The travel fares and rates were revised downwards, and many people started traveling.

In the early years of aviation, the airlines operated independently, marketing and selling their products and coordinated their trade routes (Doganis, 2006). The independent operation limited the travel destinations they could travel to. The passengers had to use more than one airline to travel to a longer destination around the world. Most airlines want to serve more than their current markets and increase the frequencies of already established routes. The earliest global airline alliances wanted to secure their operation from the adverse effects of economic downturns in their domestic markets as they could yield profits from international flights. The economic downturns present financial distress, given that the airline's operation is capital intensive. Therefore, they often forge strategic alliances to gain access to new markets and minimize their costs.

On the other hand, consumers prefer to deal with extensive service networks to get the best possible travel experience. The dynamic changes in the industry left many airlines with no choice but to cooperate agreement with international airlines to increase the scope of offering profitable air transport services. In pursuit of maintaining operations in the competitive market, many entrants in the airline industry form strategic alliances reducing operational costs and creating economies of scale. The strategic alliance has elements of a joint marketing entity, expanded travel routes, inventory administration, and insurance pooling (Min & Joo, 2016). Airlines enter strategic alliances with the main goal of reducing costs and increasing their profits. Strategic alliance mergers increase the market share, increasing the profit margin with more convenience of services. The alliance activities share reservation computers, shared flights, advertisement fees, and management duties (Villar, Tafur & Jia, 2016). The alliances use economies of scale to reduce the cost per passenger and redundancy in operation. Airlines maximize profits through specialization and distribution of fixed costs over a larger output. Alliances with international airlines bring more international flights and destinations and inventory pooling between the airlines. Airline alliances benefit economies of density with a decrease in the unit cost of service with an increase in air travel traffic. Airlines have significant flows of travelers from strategic alliances, which boosts mass seat booking and enables larger and lower unit-cost aircraft (Zou & Chen, 2017). Membership in the global alliance enhances negotiating power for purchasing and supplying services like fuels, spare parts, and maintenance services, thus enjoying better deals. In 2016 Star Alliance pursued to save US $550 million each year through joint procurement, and the management of external services handling maintenance was pooled (Mellat-Parast et al., 2015).

Entering another country's domestic airline market is difficult for any single airline. This only requires the two countries to set up air services to designate a flagging career (Hanlon, 2007). Airlines, like any other industry, join the business alliance to achieve global network coverage. The strategy increases the market share of the airlines and travel routes without intensive capital investment. Allying improves the competitiveness of the airlines as it integrates broader network coverage. Virtual networks are built with little capital and much less risk than operating alone. The airlines enjoy

airport co-location, joint procurement, and purchasing and technical exchange. Local airlines can use this option to purchase larger aircraft that are more cost-effective, thus improving their profitability.

1.1. Global Perspective of Strategic Alliance in the Airline Industry

Global market competition led to airlines forming strategic alliances to maintain their provision of seamless connections. The US airlines formed alliances to pursue international markets and expand their operation routes. Though global alliances from other industries tend to be temporary and linked to specific projects, global alliances in the airline industry are permanent and general in character (Castiglioni; Gallego & Galán, 2018). The increasing prevalence of global alliances and code-sharing partnerships among airlines has led to their embeddedness into networks of multilateral 'cooperativity' (Zou & Chen, 2017) which is the concurrence of cooperation and competition activities among allied partners. This is because, in the search for potential revenue gains or cost savings, more and more airlines have formed closer and deeper partnerships with allied partners (from the same global alliance), looking for resource sharing and joint marketing and branding. However, airlines have also maintained and developed bilateral relationships with non-allied carriers or even with airlines from rival alliances.

Globally, there are three known competing alliances in the airline industry, star alliance, Oneworld, and SkyTeam. Air Canada, Lufthansa, United Airlines, Thai Airways, and Varig merged to form the Star Alliance in 1997. A year later, American Airlines, British Airways, Canadian Airlines, Cathay Pacific, and Qantas formed the Oneworld alliance. In 2000, Air France and Delta, with Aeromexico and Korean Air, formed the SkyTeam. Over the years, membership in the alliances has been growing, with Star currently having 28 airlines, 20 airlines in the SkyTeam, and 14 airlines in the Oneworld alliance. Each alliance established its hubs targeting international business moguls. This saw air travel become pricier as every alliance improved their amenities and services to attract the business class, and this competition still exists today.

In order to determine the financial performance of the world's airlines, Tunahan *et al.* (2016) conducted a comparative analysis of financial risk levels, measured over their financial ratios of the world's three largest global airline alliances (Star Alliance, Oneworld, and Skyteam); which sell cheap tickets through low-cost strategy by performing a fuzzy logic method. The study revealed that from 2010 to 2014, there was a difference between alliances and low-cost airlines with reference to financial risk levels. However, the current study seeks to evaluate the performance of the airlines from the integrated performance measures incorporating both financial and non-financial measures.

According to Rajasekar & Fouts (2016), ever since the USA deregulated its airline industry in the 1970s, other countries have equally followed suit. Consequently, many countries in the European Union have deregulated their airline industries, followed by South American nations. Initially, the national carriers had the advantage of not Alliances as a competitive strategy having real competition due to government controls, the protection of ASAs, and entry barriers in the aviation industry. However, since the worldwide deregulation of the industry, these airlines have been facing stiff competition from foreign and other newly start-up domestic carriers, especially on the low-cost model (Avmark, 1996).

1.2. Regional Perspective of Strategic Alliance in the Airline Industry

The small regional carriers face stiff competition from Turkish airlines, Ethiopian, and Flydubai on the airline routes. The regional carriers Daallo Airlines and Jubba Airways worked independently over the Somali airspace when there was no competition. The more prominent airlines started operating on the same routes creating stiff competition for the low-cost airlines. In 2015, Jubba airways and Daallo airlines formed African Airways Alliance to face the market challenges (Goobjoog, 2015). In South Africa, SAA dominates the airline market controlling the airports and landing slots, making it difficult for new entrants in the industry (Ssamula, 2014). According to the author, the airline's dominance in the South African market made it difficult for new airlines to access air transport infrastructure and related facilities. Flitestar airline faced stiff competition, and its operation was scrambling and had to ally with SAA airline to conduct the ground handling services. There was a lack of competition in the South African airline industry, which led to the deregulation of SAA. The deregulation created room for competitiveness as low-cost carriers such as Kulula, FlySafair, and Fly Blue Crane (Mclennan, 2015). However, SAA Airlines still controlled a more significant percentage of the domestic market (about 36%), as reported by CAPA, 2016. This led to the formation of alliances to enable low-cost airlines to remain competitive in the market, as evidenced by the alliance between Comair, Kulula, and BA (Njoya, 2013). The alliances posted mixed financial results as many airlines joined the market. International airlines made more impact in the market, and independent LCCs would not thrive in the airline market, given the economic environment.

1.3. Local Perspective of Strategic Alliance in the Airline Industry

The Kenyan airline industry is primarily dominated by Kenya Airways, even though there are other comparatively small players. The Kenya Civil Aviation Authority (KCAA) was hence established by the Civil Aviation (Amendment) Act in 2002 to plan, develop, manage, regulate, and operate a safe, economically sustainable, and efficient civil aviation system. According to Thendu (2019), the airline industry business both in cargo and passenger has been growing at a rate of more than 9% from 2005 to 2011. In Kenya, airlines have embraced the formation of strategic alliances with other organizations to be able to compete effectively in the global arena (Kyalo, 2016).

The global competition threats from multinational and well-established airline players are increasingly making domestic airlines more conscious of their vulnerable state and incentivizing them to proactively engage to ensure their sustainability in these turbulent times (Farah, Munga & Mbebe, 2018). Kenya Airways joined the SkyTeam alliance in 2007, being the only African carrier in the global alliance. This has facilitated the airline with an extensive global network and seamless connections. The alliance has increased the airline's operation by increasing the number of travel destinations and customers enjoying traveling worldwide with single check-ins. However, Kenya has several low-cost airlines that

provide cheap air travel within the country and East Africa region. These airlines are Fly 540, Skyward Express, Silverstone Air, and Jambojet, a subsidiary of Kenya Airways. The rise of these low-cost airlines in Kenya has increased air travels for many Kenyan populations as they offer affordable air tickets and fewer in-flight frills. In Kenya, there is no alliance for local airlines as each airline is operating independently.

The airline deregulation caused problems for the industry through competition and monopolistic phenomena. This has created price discrimination creating tense competition for travelers through price differentiation. In addition, there is increased competition in the high-traffic routes as more new entrants enter the industry. The competition has led to both traditional airlines and local airlines offering low prices and price discounts. Today, most airlines are entering into alliances to increase their productivity and customer services, gain strategic advantages in their operations, and reduce their costs (Burton & Hanlon, 2019). However, the true implications of the strategic alliance of airlines have remained unclear.

Even though the local airlines have in the past implemented various strategies to improve their performance in the wave of international competition, for example, route expansion, optimization, efficiency, and expansion-related and partnership agreements, the airlines have poorly performed financially, with the latest being huge financial loss amounting to Ksh. 7.9 billion, being attributed to harsh economic and geopolitical conditions (Mutema, 2016). In addition, according to the financial report of 2018/2019, KQ posted an adjusted full-year loss of Ksh.8.6 billion, a drop from Ksh. 9.4 billion in 2019 (KQ annual report, 2019).

1.4. Statement of the Problem

The major objective of airline deregulation is to direct the industry to market focus to create unlimited competition. Some airline industry stakeholders opposed the deregulation citing that it would result in the industry's dominance by a few very large airlines with significant pricing power (Burton & Hanlon, 2019). To perform better than competitors, many airline companies would wish to serve beyond their current markets and extend their networks. However, limitations and restrictions to reaching foreign markets have pushed these companies to forge strategic alliances (Chao & Kao, 2015). In the recent past, several airlines have gone under receivership because of the increase in the cost of operations and the inability of the airline to reduce/avoid such costs. Global airlines that have been able to weather this storm have not done it alone. Most of them are in some sort of collaboration with other airlines. A statistical study of the US airline indicated that before deregulation, the airline had only carried 240 million passengers, but after deregulation, the airline had carried nearly 640 million passengers. According to Agndal and Axelsson (2002), the alliances have influenced flight booking, procurement, maintenance, traffic hubs, and expenses such as fuel purchases.

A study in Kenya showed that local airlines are increasingly having many users as they have constant fares. According to Okomba (2013), Kenya being a tourist destination enhances the need for domestic flights. However, with the increasing operating costs and stiff competition from established airlines, local airlines find it difficult to operate individually. The stiff rivalry has led to restructuring in the local commercial airlines and the cancelation of some flights to cut costs and remain competitive. The aviation industry has re-shaped itself to cope with investing in new fleets, adopting more efficient processes, carefully managing capacity, and consolidating a larger customer base. For example, in the 2016/2017 financial year, Kenya Airways recorded a net loss of Ksh. 10.202 billion. In the year 2017, KQ reported a net loss of Ksh. 7.5 billion when higher costs offset a jump in revenue. In 2018, the carrier posted an adjusted full-year loss of Ksh.9.4 billion with a corresponding full-year loss of Ksh.683 billion. In the financial year 2019, Kenya Airways announced a more than doubled loss of Ksh.8.6 billion though a slight drop from Ksh. 9.4 billion in 2018 (KQ annual report, 2019). Based on the available data, this study proposes that by forming alliances, airlines would remain competitive.

The aviation industry has re-shaped itself to cope with investing in new fleets, adopting more efficient processes, carefully managing capacity, and consolidating. However, despite these efforts, Farah, Munga, and Mbebe (2018) contend that the industry's profitability still balances on a knife-edge, with profit margins that do not cover the cost of capital. In essence, most of the Kenyan airlines are currently struggling to cover their operation costs. Many business models entered the airline industry, and the competition stiffened as they competed with large airlines. Moreover,

Min and Joo (2016) contend that even though airline strategic alliances are generally perceived to be a major driver for enhancing the operating efficiency and the subsequent competitiveness of participating member airlines, concrete evidence supporting such a perception is still lacking in the literature. The competition between the incumbent airlines and the new entrants hit the companies' capital hard, and some ended up bankrupt, and others were absorbed by other carriers (Kahn, 2016). The increased intensity of competition in the airline industry has given the airlines more pressure to adjust to remain operational in the industry. The pressure was more on the airlines mostly. Hence, the current study seeks to assess the implication of the strategic alliance's practices on the performance of local airlines in Kenya.

1.5. Study Objectives

<u>1.5.1. General Objective</u>

The main purpose of this study is to assess strategic alliance practices on the performance of local airlines operating in Kenya.

<u>1.5.2. Specific Objectives</u>
- To determine the effect of entry behavior practices on the performance of local airlines operating in Kenya.
- To explore the effect of competitive market practices on the performance of local airlines operating in Kenya.
- To establish the effect of bargaining power on the individual performance of local airlines in Kenya.

- To examine transaction costs on the performance of local airlines in Kenya

2. Literature Review

2.1. Theoretical Framework

Theories are often formulated to explain and help understand the relationships amongst and between study variables. Theoretical review, hence, is the structure that can hold or support a theory of a research study (Odollo, Iravo & Sakwa, 2018). The current study is anchored on the following theories:

- Market power theory,
- Transaction cost theory;
- Resource-Based View (RBV) theory of a firm, and
- Institutional Theory (IT)

Their major tenents and implications are as well-discussed, and their relevance to the study provided. Both market power theory (industrial organization theory) and transaction cost theory formed the basis of the study.

2.1.1. Market Power Theory

The theory was founded by Bain (1950) based on two ideas:

Firstly, the linearity idea is a way of combining structures that influence pricing behavior and runs through the performance. Market power theory asserts that the industry structure and cooperation influence the profitability of the airlines. The transaction cost theory examines the internalization of operational decisions and the outsourcing of resources. According to Bain (1950), a competitive market concentration leads to cooperation leading to high profits. The concentration increases economies of scale, pooling together resources and hence making high profits. Bain further argued that concentration poses barriers to market entry.

Secondly, the idea claims that firms will enter freely into the market in a competitive market until the investment capital diminishes the gross profits of the marginal entrant. Dominant airlines extend their marketing activities and increase frequent flyer schedules to attract more passengers in the competitive market. Strategic alliances create market power for dominant carriers in the airline industry. Ashenfelter et al. (2014) conducted an empirical study on price and market share to describe the market power of an organization. The study pointed out that strategic alliances increase market power as the airlines can influence prices and rates.

2.1.2. Transaction Cost Theory

The theory was developed under Coase's (1937) work, arguing that market operation involves transaction costs that arise from information acquisition and coordination. Transforming factors of production into goods and services includes time and money in search of buyers and sellers in the market. The theory firmly views it as a paradigm that increases the value through economizing on such costs. According to this theory, firms' primary motive is to maximize profit, attributed to reduced production and transaction cost (Yasuda, 2005). All stakeholders will choose the option that leads to lower transaction costs and maximum economic profit (Williamson, 2010). According to Williamson (2010), the theory rests upon the environmental characteristics assumption, which shows why firms encounter higher costs for market-based transactions. The entrants of the carriers into the industry are challenged by the large carrier alliances that posit high transaction costs. Airlines fly a single airplane type, providing limited class products and avoiding frequent flyer programs to reduce the unit cost.

The airline industry is changing to an oligopoly market structure, and local carriers find it more expensive to operate independently in the market. If another firm in the same industry wants to acquire these assets, it will incur transaction costs. The best alternative for this firm is to merge with the firm that owns the asset. Low-cost carriers can explore this strategy to acquire large aircraft that will increase the number of passengers traveling in a single route. Virtual networks are less expensive for airlines in the alliance than those operating independently. Transaction cost theory examines the circumstances under which an organization internalizes its operation or extends to market options (Coase, 1937). Firms choose to internalize transactions when there is a high level of transaction costs in the imperfect external market. When an organization is presented with an outsourcing option, it is forced to form alliances to reduce its transaction costs. According to Whyte (1994), vertical integration is by asset specificity, which sunk high costs and uncertainties for the basis of economies of scale. Geographical diversification increases the transaction costs of airlines through coordination problems and delays in information processing. Canceled flights and waiting time increase the costs of the airline operation. If well-managed, the transaction costs theory assumptions and characteristics serve as a force for competitiveness.

2.1.3. Resource-Based View (RBV) of a Firm

The Resource–Based View (RBV) of a firm can be traced back to Penrose in 1959, indicating crucial resources for the growth and development of any organization. The RBV of a firm offers an insight into the internal resources accumulated by an individual firm as key to superior performance by the firm relative to its rivals in the same industry (Odollo, Iravo & Sakwa, 2018). This implies that a firm with the right combinations of these critical resources is able to not only create but also implement appropriate strategies easily and in a better way that will enable the firm to gain and sustain a competitive advantage over its rivals in the same industry. Accordingly, such a firm can have superior performance when it finds the right combination with its unique resources and can drive better performance in all the

operational areas within the organization (Odollo, Iravo & Sakwa, 2018). The resource-based view states that a firm's sustainable performance level depends entirely on its ability to manage its core resources in various decision areas. According to the proponents of the theory, the resource-based view attempts to link resources of a firm's internal capabilities to strategy formulation to achieve higher performance.

According to an argument fronted by Krim (2003), organizations that wish to maintain a distinct competitive advantage will plug gaps in resources and capabilities in the most cost-effective manner. The theory hence emphasizes that resources internal to the firm are the principal driver of a firm's profitability and strategic advantage (Barney, 1991). For an organization to achieve superior performance, it must create more superior values, which are dependent on its stock of resources and distinctive capabilities of using those resources. For sustained performance, an organization ensures that the adopted strategies are sustainable. This can only be possible through the acquisition and development of critical resources. In addition, a study by Wilkens (2004) opines that an organization that exploits its internal resources and capabilities can achieve good performance since the critical resources are stable and reliable in the strategy process, enabling the firm to face market dynamics and competition. Therefore, a successful firm must identify its idiosyncratic resources, which must be differentiated from those of its close competitors, and have to be carved out in a distinctive market niche (Barney, 2011). Consequently, the firms ought to select their peculiar resources and determine the best fit for their use to deploy specific capabilities and set up a successful strategy allowing them to operate profitably in the market.

2.1.4. Institutional Theory (IT)

Institutional theory can be traced to Scott in 1995. The proponent argues that an organization relies heavily on the institution's social constructs that help define both structure and processes (Scott, 1995). Further, the author hypothesizes that society is and should be viewed as an integrated whole that plays a vital role in determining the legality of an institution and may wield as much power as possible to facilitate its operations within the organization (Forgaty, 2014). Moreover, the proponents of the theory intone that a firm's immediate environment, if well managed, can positively and significantly influence the development of systems of the organization. The set formal structures within the institution profoundly influence the overall market response, easing market pressures, especially in a highly competitive environment (Meyer, 2012). Since an institution conforms to the societal norm's requirements within the organization, it must tailor its services to suit the needs and preferences of the society within which it operates and other targeted niche markets. The standard practice shall ensure that the organization remains sustainably competitive within its industry; hence, its performance improves over time in the long run.

2.2. Conceptual Framework

The conceptual framework depicts the interrelationships between study variables (Odollo, 2019). Figure 1 depicts the conceptual framework indicating the interrelationships among study variables. For this study, the independent variable is strategic alliance practices, while the dependent variable is the performance of the local airlines operating in Kenya. The study assumes a linear relationship between performance and the strategic alliance variables.
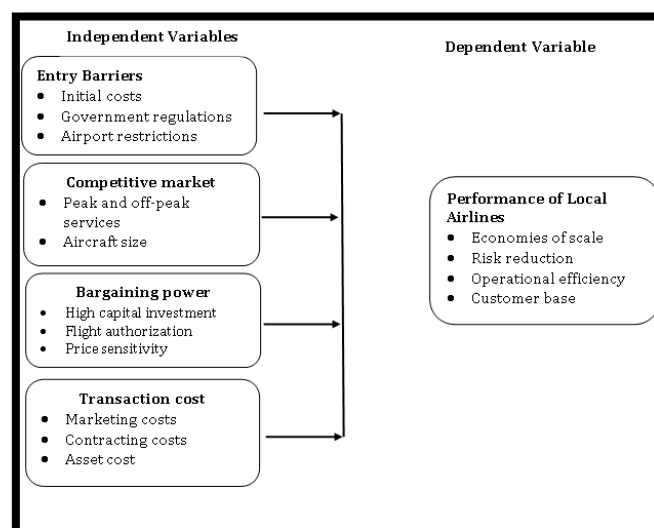

Figure 1: Conceptual Framework Depicting
Interrelationships of Study Variables

2.2.1. Entry Barriers

The entry into markets - and thus the barriers to entry that exist within those markets - can be viewed from the perspective of the entering firm and incumbent firms. The ease of new entrants into the airline industry is regulated by the barriers in the industry. According to Fahri and Satyanarayana (2018), barriers to entry prevent new market entrants from entering markets while protecting incumbent firms. Gruca and Sudharshan (2015) argue that the underlying

argument is that the higher the barriers to market entry, the greater the profit potential of the incumbent firms in the said industry or the market since the new entrants may find it difficult to penetrate into the industry or the market.

Previous studies on the relationship between entry barriers and firm performance have produced mixed results (Cicic et al., 2012). According to the author, some studies have shown negative relationships for new entrants, whereas other studies have revealed positive relationships for incumbent firms. In this respect, the study by Cicic et al. (2012), therefore, advises that caution has to be exercised while interpreting the results and examining the reference point of 'firm'. A study by Fahri and Parayitam (2018) sought to examine the interrelationships of barriers to market entry, capital requirements, business environment, the competitive advantage of incumbent firms, and firm competence on firm performance. The study was anchored on the resource-based view of the firm as a theoretical framework in support of the study hypotheses. Primary data were analyzed quantitatively. The study results showed a moderate but negative effect of the business environment and capital requirements on firm performance.

A research study by Fahri (2013) examined the relationships among the barriers to market entry:
- Capital requirements,
- The competitive advantage of incumbent firms,
- Business environment, and
- Firm competence, and
- Their relationship to firm performance

Data were collected from a sample of 190 companies through a mail survey. A hierarchical regression analysis assessed the relationships between barriers to entry and firm performance. The study results revealed the presence of curvilinear relationships between some barriers for market entrants and the performance of market entrants. A study by Coutoa and Barbosa (2020) sought to assess the variety and relevance of barriers to entry perceived by Portuguese firms. Based on a questionnaire to collect primary data, the Portuguese firms' perceptions were surveyed using a sample of 168 firms. The results suggest that sunk costs, capital requirements, capital costs, and cost disadvantages are the most important barriers to entry. Further, the study concluded that the study findings are quite consistent among industries and firm sizes. Moreover, the study recommended that Portuguese firms' perceptions of entry barriers suggest that both structural and strategic barriers are essential and that the effectiveness of strategic barriers depends on the structural characteristics of the market.

A paper by Kosi and Bojnec (2013) empirically examined the impact of freedom from regulation in different institutional areas on business entry rates in 10 Organizations for Economic Cooperation and Development countries over the period 1995–2007. Employing the feasible generalized least squares econometric approach. It discloses a positive association between business entry and overall institutional freedom. However, economic freedom in different institutional areas does not appear to have the same importance for business entry. Institutional freedoms that are the most beneficial for business creation are product market freedom, property rights freedom, and freedom from corruption.

2.2.2. Competitive Market

Increasing competition in the market due to the application of such enablers, such as modern manufacturing technology, deregulation of economies, and privatization or corporatization of government-owned enterprises, makes decision-makers' use of management accounting systems more important Lokman & Clarke (2019). Airlines form strategic alliances to gain a competitive advantage, just like the dominant airlines. Joining an alliance enables the local airlines to gain efficient market share.

According to OECD (2021), when measuring competition in enforcement cases (mergers and abuse of dominance), the competition measures used are case-by-case specific, depending on the market characteristics and the data availability. In order to improve performance, a study by Wambui, Lagat, and Kieti (2016) argues that customer orientation should permeate the overall activities of a firm in a competitive environment as it is considered an essential element for enhanced performance. As competitiveness intensifies, Auh and Menguc (2015) further postulate that a firm's overall performance will no longer be deterministic but stochastic since the performance is likely to be highly influenced by the actions assumed by competitors operating in the industry.

Wambui, Lagat, and Kieti (2016) undertook a study to empirically test the moderating effect of competitive intensity on the relationship between customer orientation and the performance of hotels in Kenya. The study was grounded on the Resource-Based View (RBV) theory. The study employed an explanatory research design and sampled 330 respondents from a target population of about 630 managers in 210 hotels listed under Kenya Association of Hotelkeepers and Caterers (KAHC). The study used cluster sampling combined with simple random to draw study respondents. A structured questionnaire was used to collect primary data, which was analyzed using stepwise regression to test the research hypotheses. The study results revealed that competitive intensity has a moderating effect on the relationship between customer orientation and hotel performance.

A study by Zhang, Wang & Song. M. (2020) explored how competitive intensity moderates the effects of capabilities on sustainable new venture performance. Based on a capability-based view, the study collected data from 146 U.S. new ventures. The study was based on ordinary least squares regression analysis to test the research model and employed a 'pick-a-point' approach to examine how capabilities affect sustainable new venture performance at different levels of competitive intensity. The empirical study results revealed that increasing competitive intensity decreases the positive effects of marketing capabilities on performance. This implies that when the competitive intensity is very high, the positive effects of marketing capabilities on performance become insignificant.

A study by Onditi, Kibera, Aranga, & Iraki (2020) sought to establish the moderating effect of competitive intensity on the relationship between market orientations on the performance of private security firms in Kenya. Primary data were collected from key informants of the firms using a semi-structured questionnaire. The study was based on a market-based view theoretical perspective of a firm. The study targeted 39 firms that were members of the Kenya Security Industry Association (KSIA) in a census study that was cross-sectional in nature. The study results showed that competitive intensity moderated the relationship between market orientation and non-financial performance but not with financial performance.

In addition, a study by Ramaswamy (2011) assessed a model that centers around the interactive, inseparable effects of ownership and competitive rivalry on firm performance in the Indian manufacturing sector. The study results of the empirical examination set in India show that competitive intensity moderates the relationship between ownership and performance. Moreover, a study by Ahamed (2015) sought to assess the link between competitive intensity and the performance of Bangladesh garment industry. A population of 185 responses was surveyed, and secondary data were used for the study. The dataset was analyzed in WarpPLS 3.0. The study findings showed that competitive intensity has a strong and positive effect on performance. Consequently, the study findings were found to have implications for export marketing managers and researchers with respect to managing cross-border export–import relationships categorized by trust, commitment, and export performance.

2.2.3. Bargaining Power

Increased bargaining power enables airlines to outsource more resources and gain a competitive advantage in the market. Local airlines are thriving on the model of price sensitivity as many customers are price sensitive while choosing the airline to use. According to Nogueira and Bataglia (2012), the bargaining power of a firm in a transaction in the value chain of a product depends on at least two factors:

- The dissemination of the technology involved in the transaction,
- The number of suppliers operating with the technology in that transaction

Essabbar et al. (2016) intone that the bargaining mechanism is more of a negative relationship often employed in a zero-sum game. In line with the logic for bargaining mechanism in a zero-sum game, organizational studies argue that a generator of competitive advantages may not necessarily become a beneficiary of those competitive advantages because gains in firm performance are determined not only by how large a pie is created but also by how a pie is appropriated (Essabbar et al., 2016). In addition, Crook and Combs (2007) argue that a firm with stronger power not only benefits from increased gains in the overall supply chain but also takes advantage of its supply chain partners and hence obtains a greater share of the gain.

Moreover, Woohyun et al. (2018) posit that some studies have discussed the impact of bargaining power on practical gains and reported that bargaining of powerful firms leads to more involuntary actions of weaker firms. Prior studies on the bargaining power of various players in the value chain have reported mixed evidence on the impact of customers' bargaining power on supplier performance. A study by Chang, Liu, and Mashruwala (2021) used mixed evidence to assess the role of bargaining power and performance in China. Data on supplier–customer dyads were identified using financial disclosures of firms' major customers to examine this research question. The study found a negative association between customers' relative bargaining power and supplier performance. As a result, the study argues that powerful customers may trade off the short-term benefits obtained through supplier concessions.

Aimin and Gray (2014) undertook a comparative case study of four joint ventures between partners from the United States and the People's Republic of China. They sought to assess how the bargaining power of potential partners affects the performance of joint ventures. The study adopted an inter-partner negotiations perspective on joint venture formation and envisioned joint ventures as mixed-motive games between partners who cooperate and compete simultaneously. Data for the study were drawn from in-depth interviews with the executives of both the U.S. and Chinese partners and the managers of the joint ventures following a predesigned interview protocol. The study findings showed that levels of joint venture partners' bargaining power have a significant and positive impact on the pattern of parent control in the venture's management.

2.2.4. Transaction Cost

By joining the alliance, the airlines with higher marginal costs will shift the production to the airline with low marginal costs as they share resources. In the alliance, the duplication of fixed costs is eliminated hence reducing the transaction costs. The strategic alliance will reduce cost structures, eliminates inefficiencies, and increase production through technological advancement. According to Yousuf (2019), the changing work environment, increasing growth of businesses, and the associated complex regulatory environment in addition to the need to give special support to navigate complex global regulations, especially for firms that are contemplating a move outside borders and becoming international, firms have been pushed beyond their comforts to find ways to do their business either independently or to depend on other firms. This, consequently, has led to the appearance of transaction costs which are concerned with finding and negotiating with a proper partner and monitoring the performance of this partner (Brouthers, 2002) because a potential partner might have the incentive to free ride or act opportunistically, and this presents the problem of monitoring performance.

According to Williamson (2015), when transaction costs are high, it is better for a firm to offer the services by vertically integrating cardinal activities rather than buying them on the market. Therefore, a firm will seek to expand until the price of doing a task within the firm is the same as that of buying them on the market - by making a transaction

(Williamson, 2015). In order to protect themselves from such opportunistic behavior, firms involved in the strategic alliance would select institutional arrangements to minimize the total cost to consummate the transactions involved.

Various researchers have highlighted that there are two perspectives on the concept of transaction costs (Allen, 2019), which include:

- Firstly, property rights – Williamson (2017) has described property rights to focus on the role of transaction costs in shaping the distribution of property rights.
- Secondly, transaction cost – Transaction cost has been modeled around transportation charges or taxes.

In addition, Yousuf (2019) further argues that transaction-costs recognize that the productivity of a firm's value chain is a function of transaction costs which are significant and have a major impact on economic efficiency hence the performance of a firm. From a global sourcing perspective, Bremen, Oehmen, Alard, and Schönsleben (2010) intones that companies would source their intermediate products from outside suppliers if the transaction costs of external purchases are lower than domestic ones. In other words, transaction costs determine the governance structure of a supply chain of a firm. As a result, firms have to decide whether to follow a domestic or a global source to supply their needs. In addition, various costs cannot be avoided, for example, the costs of negotiating and concluding contracts (Williamson, 2017). According to Bremen, Oehmen, Alard & Schönsleben (2010), these costs cannot be eliminated; instead, a firm can only try to reduce them. Hence, in this case, the firm is treated as an avoider of negative costs, and as Yousuf (2019) argues, the basic idea of 'zero transaction costs to a firm' is an illusion. Hence, firms can only minimize their transaction costs as much as possible to create a competitive advantage in the industry.

A study by Yousuf (2017) sought to highlight the concept of transaction costs and provide a conceptual framework to understand the meaning of transaction costs. It being a desktop review, the literature review revealed that firms must compare internal and external transaction costs and choose the lowest cost, which enables them to increase profits. This means companies must reduce transaction costs to the minimum level to achieve more profits and a competitive advantage. A study by Bremen et al. (2010) analyzed the cause-and-effect chain of inter-firm transaction costs concerning global sourcing from low-cost countries in Switzerland. The resulting qualitative model based on explorative multiple case study research was validated in a survey among Swiss manufacturing companies. The study results revealed that unexpected transaction costs might result in failed sourcing projects in global supply chains of manufacturing companies. The study further recommended that the characterization of global supply chains applying the identified causes of transaction costs supports manufacturing companies in improving the planning of their expenditures and substantiating their make-or-buy decisions.

3. Research Methodology

3.1. Research Design

According to Meyers, Gamst, and Guarino (2016), a research design provides an overall framework for collecting data. In order to have an in-depth analysis of the operation of low-cost airlines under alliances, the study proposed using a descriptive research design. Accordingly, the descriptive design seeks to assess the respondent's attitudes, beliefs, and motives (Odollo, Iravo, and Sakwa, 2019). Accordingly, the study seeks to gather the characteristics of the strategic alliances and that of the local airlines to understand the problem of the study.

3.2. Target Population

Target population refers to specific individuals or groups from which information or data is collected (Orodho, 2003). The unit of analysis was Airline companies operating in Kenya. According to Omar and Maina (2020), there are 59 Airline companies currently operating in Kenya. According to Kumar (2019), a sampling frame is a list of all the elements in the population from which the sample is drawn. All fifty–nine (59) airlines operating in Kenya were sampled for the study.

3.3. Sample and Sampling Technique

According to Kumar (2019), the rule of thumb while undertaking sampling is that the sample should be as big as possible. Otherwise, it may not give a true representation and should have a connection to the proportion of the population from which it was obtained. The study used a purposive sampling technique to draw out respondents. Specifically, the study purposively targeted heads of the Strategy, Marketing, Product, Development, and Finance departments, who were the units of observation. Hence, the total targeted sample size for the study was 236 respondents. Since the target population is sufficiently large, the study proposed to scientifically apply a 30% sampling technique of the target population (236) to arrive at an adequately representative sample size of 71 study respondents. This is regarded as representative enough following a recommendation by Vasileiou et al. (2018) who advocate for 30% for co-relational, causal-comparative, and true experimental research.

3.4. Data Collection Instruments

According to Maxwell (2012), data collection instruments are the tools used to measure variables in research. In addition, a questionnaire has been viewed as a collection of measurement items that assess the attitudes, opinions, or beliefs of respondents (Thorpe & Lowe, 2002). The study adopted a structured questionnaire as the primary data collection instrument to collect primary data. The data collection instrument was structured in a modified Likert scale fashion, on a five–point scale, ranging from 'strongly agree' (SA), through 'agree' (A), neutral (N), 'disagree' (D) to 'strongly

disagree' (SD). The targeted respondents were required to indicate their levels of agreement/disagreement or perception to the stated and described measurement items of the questionnaire, targeting each study variable.

The data collection procedure sought authorization to collect data from the targeted Airlines in Kenya. In addition, the researcher requested the targeted respondents' permission to participate in the study, such that their responses were treated with utmost confidentiality, and the information so willingly given was not to be shared with anyone without their express permission. Consequently, the respondents were required to ascent to their participation in the survey. The researcher used the '*drop and pick*' method to personally collect data using the questionnaire. The respondents were given a period of one week to fill out the questionnaire, after which the questionnaires were collected. Due to the effect of COVID-19, if need be, backed by the policy requirements per individual airline, the questionnaires were sent electronically to the targeted respondents.

3.5. Pilot Study

A pilot study was conducted to test the reliability and validity of the study. A pilot study helps the researcher to test the reliability and validity of the data collection instrument and make adjustments that may be required (Orodho, 2003). For the purposes of the pilot study, a sample scale of 10% of the study target population was regarded as sufficient (Loannidis, Fanelli, Dunne, & Goodman, 2015), yielding six (six) firms. Hence, the sample size for the pilot was 24 respondents. Out of the targeted 24 questionnaires issued to the study respondents, 19 questionnaires were duly filled and returned. This represented a response rate of 79.2%.

3.5.1. Validity of Research Instruments

Validity is the extent to which an instrument measures what is supposed to measure data need not only to be reliable but also true and accurate. Researchers ensure they collect stable data and consistent that can be used as a reference in the future (Orodho, 2003). The study sought to attain face, content, and construct validities. To ensure both face and content validities, the questionnaire measurement items were based on the study sub-constructs as contained in the conceptual framework (figure 1). The content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. To achieve content validity, the questionnaire measurement items were crafted from the construct measurements from the conceptual framework (figure 1). Moreover, the supervisor assessed, evaluated, and determined whether the measurement items measured what they ought to have measured. The researcher incorporated the supervisor's inputs and opinions in the questionnaires to ensure that the contents represented what was being measured.

To attain construct validity, the study used exploratory factor analysis (EFA) using commonalities. The study used factor loadings which were used to measure the contributory importance of the latent study items so extracted. A minimum factor loading threshold of 0.4 was expected for the communalities for the questionnaire measurement items. Those questionnaire measurement items that failed this minimum cut-off index shall either be deleted from the analysis or be revised accordingly to improve the validity of the questionnaire. To determine the construct validity of the entry barrier sub construct, six (6) measurement items were used and were subjected to factor analysis using commonalities. A minimum of 0.4-factor loadings was set. The results are presented in table 1. From the pilot results, all the measurement items were found to be above 0.4, implying that they are valid for measuring entry barriers as a practice used by the Airlines in Kenya.

3.5.2. Reliability of Research Instruments

Reliability refers to the consistency, stability, and dependability of the collected data. To achieve the reliability of the research instruments, the study used Cronbach's Alpha with a minimum coefficient value of 0.7 to determine the consistency among the variable measurement items. All the items tested for reliability posted a score above the recommended 0.7, indicating internal consistency in the questions, as summarized in table 1.

Study Variable	Cronbach's Alpha	No. of Items
Entry Behaviour Practices	.805	6
Competitive Market Practices	.793	8
Bargaining Power	.898	5
Transaction Cost	.826	6
Performance of Airlines	.887	6

Table 1: Reliability Study Results

3.6. Data Processing and Analysis

According to Kline (2015) and Byrne (2016), data analysis is the representation of data gathered during a study. This study seeks primary data from the targeted low-cost airlines, which shall be quantitative data. The collected data were analyzed both descriptively and inferentially using Statistical Package for Social Sciences (SPSS) computer software Version 24, as well as MS office Excel version 10. SPSS software was used since it can handle large amounts of expected data (Cohen, West & Aiken, 2014; Babbie, 2015). MS Office Excel was used to extract quantitative data to enable quantitative analysis.

Descriptively, the quantitative data collected will be analyzed to determine general tendencies to enable evaluations of the research variables to make deductions, interpretations, conclusions, and possible recommendations. To

describe data, means and standard deviations shall be generated and presented using statistical distribution tables. For inferential statistics, a two-tailed hypothesis test was proposed to be calculated to test each of the four study questions to answer the study objectives. Correlation and regression analyses were used to show both strength and direction of variable study relationships. Inferences were made thereof.

Correlation coefficient (r) varies over the range of +1 to -1, where the sign signifies the direction of the relationship. The coefficient would only be true in situations where the significance level will be $p < 0.05$. Regression analysis will be carried out to determine the causal relationship (magnitude of the effect) between independent predictors and the dependent variable. The causality analysis included the following: R^2, F values, and beta coefficients at 0.05 significance levels coefficients will be tested. To show this, the study will adopt a regression model in the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:
- Y= Firm performance of the Local Airlines
- β = Regression constant
- $\beta_1, \beta_2, \beta_3, \beta_4$= Change in Y with respect to a unit change in X_1, X_2, X_3, X_4 respectively.
- X_1 = Entry Barrier
- X_2 = Competitive Market
- X_3= Bargaining Power
- X_4= Transaction Cost
- e = Error term assumed to be normal in distribution with mean zero and varianceσ^2.

4. Data Analysis and Discussions

4.1. Response Rate

From the 59 Airlines operating in Kenya, the study purposively targeted four respondents per airline, that is:
- Heads of Strategy,
- Marketing,
- Product and Development, and
- Finance departments
- They were the units of observation

The total targeted sample size for the study was 236 respondents. The study applied a 30% sampling technique of the target population, yielding a sample size of 71 respondents. This was regarded as representative enough following a recommendation by Vasileiou et al. (2018), who advocate for 30% for co-relational, causal-comparative, and true experimental research. However, out of the 71 respondents that were targeted, only 69 questionnaires were issued. However, a total of 57 questionnaires were duly filled and returned yielding a total response rate of 80.3% of the targeted respondents as summarized in table 2.

Questionnaire	Frequency	Percentage
Returned	57	80.3
Not Returned	14	19.7
Total	71	100

Table 2: Response Rate

This response rate was appropriate since Kothari (2011), argued that a 50 % response rate is adequate, 60% good, and above 70% rated as appropriate for analysis. Therefore, the current study considers the response rate of 80.3% sufficient for inferential analysis.

4.2. Demographic Information

Demographic information of respondents was used to understand the respondents' behaviors, especially on how knowledgeable and capable they are in strategic alliance practices as adopted by the Airline companies in Kenya. The demographic information included:
- Work experience of the respondents,
- Their level of education, and
- The age of the Airline in Kenya
  The following sections outline the study results:

4.2.1. Work Experience

The study assumed a linear and positive relationship between the number of years worked and improved performance. It is envisaged that employees' performance and output vary depending on experience level. The results in table 3 show that 12.2% of the valid respondents have work experience below one year, but 38.8% have experience

between one year and five years. However, an accumulation of 49.0% of the valid respondents has worked over five years in the sector, meaning that they are aware of the industry intrigues.

	Experience Items	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	6	10.3	12.2	12.2
	5-10 Years	19	32.8	38.8	51.0
	11-15 Years	15	25.9	30.6	81.6
	Over 15 Years	9	15.5	18.4	100.0
	Total	49	84.5	100.0	
Missing	System	8	15.5		
	Total	57	100.0		

Table 3: Kindly Indicate Your Work Experience in the Sector

During 5-10 years of service, many employees build a perception that they have attained adequate experience in their profession. A recent McKinsey Global Institute (2021) report notes that in an era of workplace upheaval, companies that create tailored, authentic experiences strengthen employee purpose, ignite energy, and elevate organization-wide performance. This means that the respondents have adequate working experience in the insurance sector, and therefore, they possess the necessary knowledge and information, which was considered useful for this study.

4.2.2. Level of Education

As part of the background information, the respondents were requested to indicate their highest level of education. The results were as depicted in table 4. From the study results, 26.3% of the respondents indicated that their highest academic qualification was either a diploma or Higher National Diploma. However, 40.4% of the respondents indicated an undergraduate degree as their highest level of education, 21.1% indicated a master's qualification, and 12.2% of the respondents indicated a Ph.D. as their highest level of education. This implies that the respondents had prerequisite academic competency to be able to respond well to the study survey tool.

Level of Education	Frequency (F)	Percentage (%)
Diploma/Higher National Diploma	15	26.3
Undergraduate Degree	23	40.4
Masters' Degree	12	21.1
Ph.D	7	12.2
Total	57	100.0

Table 4: Highest Level of Education

4.2.3. Age of Airline in Kenya

The respondents were required to identify the period on a continuum to determine the length of period that the Airline has been in operation in Kenya. The research aimed at evaluating how this may have affected the strategic alliances formed between and amongst the Airlines in Kenya hence required the airline included in the research to have been in operation in Kenya for a relatively long period of time to enable it to forge alliances with other industry players. Table 5 shows the analysis of the length of time the Airline has been operational in the county. The table provides the percentage and frequency of the number of years that the Airline has been in operation in the county, categorized into various timelines, including:

- Below 5 years,
- Between 6-11 years,
- Between 11- 16 years,
- Between 16 - 21 years, and
- Above 21 years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	17	29.8	29.8	29.8
	6-11 years	16	28.1	28.1	57.9
	11-16 years	15	26.3	26.3	84.2
	16-21 years	3	5.3	5.3	89.5
	Above 21 years	6	10.5	10.5	99.0
	Total	57	62.8	100.0	

Table 5: How Long Has the Airline Been Operating in Kenya

Table 5 above shows that:
- 29.8% of the Airlines in Kenya included in the research had been operational for less than 5 years,
- 28.1% had been operational in the country for 6-11 years,
- 26.3% had been operational in the country for 11-16 years,
- 5.3% had been operational in the country for 16-21 years, and
- 10.5% had been operating in Kenya for over 21 years

The analysis shows that the research included Airlines that have operated in Kenya for different lengths of time. Hence, the research covers a wider scope of Airline periods for these Airlines to have forged a working relationship, including strategic alliances.

4.3. Descriptive Statistics Analysis

4.3.1. Entry Behavior Practices and Performance of Airlines

The first specific objective of the study was to determine the effect of entry behavior practices on the performance of local airlines operating in Kenya. The respondents were required to indicate their level of agreement on various study subcontract measurement items relating to market entry behavior and performance of the Airline operating in Kenya. A 5-point slanting Likert scale was used. The scores were taken to represent a statement not agreed upon, equivalent to a mean score between 0 and 2.5. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score between 2.6 and 3.4. The score of 'agree' and 'strongly agree' has been taken to represent a statement highly agreed upon, equivalent to a mean score of 3.5 to 5.0. The results are presented in table 6.

Market Entry Behavior Practices Measurement Items	Mean	Std. Dev.
The Airline often raises buyer-switching cost	3.801	0.915
The Airline invests in protecting proprietary know-how	3.917	0.870
The Airline defensively pursues interrelationships	3.881	0.762
The Airline forms coalitions to raise barriers or co-opt challengers	3.845	0.859
The airline is engaged in airport restrictions guarding new entrants	3.795	0.953
The Airline has absolute cost advantages in the industry	3.736	0.880
Aggregate	3.83	0.873

Table 6: Market Entry Behavior Practices and Performance of Airlines

The respondents generally agreed that the Airline often raises buyer-switching costs, with a mean of 3.801 and a standard deviation of 0.915. Moreover, respondents generally agreed that the Airline invests in protecting proprietary know-how, with a mean of 3.917 (standard deviation = 0.870). Respondents equally agreed that the Airline defensively pursues interrelationships (Mean = 3.881, std. dev = 0.762). On the coalitions, the respondents generally agreed that the Airline forms coalitions to raise barriers or co-opt challengers, with a mean of 3.845 and a standard deviation of 0.859. In order to assess the nature of restrictions, respondents generally agreed that the airline is engaged in airport restrictions guarding new entrants (Mean = 3.795, Std. Dev = 0.953). In addition, the respondents generally agreed that the Airline has absolute cost advantages in the industry, with a mean of 3.736 and a standard deviation of 0.880. On average, the majority of respondents generally agreed that the Airline involves in some market entry behavior practices in order to influence the performance of the Airline, with a mean of 3.83 and a standard deviation of 0.873.

4.3.2. Competitive Market Practices and Performance

The second specific objective of the study was to explore the effect of competitive market practices on the performance of local airlines operating in Kenya. The respondents were equally required to indicate their level of agreement on various study subcontract measurement items relating to competitive market practices of the Airline operating in Kenya. Equally, a 5-point slanting Likert scale was used. The study results in table 7 indicated that, on average, competitive market practices measurement items had a mean of 3.645 and a standard deviation of 0.86. This implies that respondents generally agreed that the airlines use competitive market practices as a strategy to improve their performance. From the individual measurement items, respondents generally agreed that:

- The Airline offers peak–off–peak attractive services, with a mean of 0.805 and a standard deviation of 0.915,
- The Airline has more flyer frequencies to all the destinations, with a mean of 3.579 and a standard deviation of 0.862,
- The Airline's services are seen as low-cost products, with a mean of 3.890 and a standard deviation of 0.862

Competitive Market Practices Measurement Items	Mean	Std. Dev.
The Airline offers peak–off–peak attractive services	3.548	0.805
The Airline has more flyer frequencies to all the destinations	3.579	0.915
Our services are seen as low-cost products	3.890	0.862
The Airline offers regular sales promotions and is factored into decisions	3.365	0.961
New customers tend to have product-related needs that are different from those of our existing customers	3.612	0.973
Over the last five years, the Airline has frequently reacted to competitors' innovations by quickly changing the product portfolio	3.679	0.813
The products we have developed over the last five years were unique on the market at the time they were introduced	3.738	0.768
Our business units and/or functional units are closely intertwined and support each other, thereby improving our competitiveness	3.745	0.781
Aggregate	3.645	0.860

Table 7: Competitive Market Practices and Performance of Airlines

Moreover, the respondents generally agreed that the Airline offers regular sales promotions and is factored into decisions (mean = 3.365, standard deviation = 0.961). On customer-specific needs, the respondents generally agreed that their new customers tend to have product-related needs that are different from those of our existing customers, with a mean of 3.612 and a standard deviation of 0.973. Over the last five years, the respondents generally agreed that the Airline has frequently reacted to competitors' innovations by quickly changing the product portfolio, with a mean of 3.612 and a standard deviation of 0.973. In addition, the respondents generally agreed that the products we developed over the last five years were unique on the market when they were introduced (mean = 3.738, std. dev = 0.768). On integrations of activities, the respondents generally agreed that their business units and/or functional units are closely intertwined and support each other, thereby improving our competitiveness with a mean of 3.745 and a standard deviation of 0.781.

4.3.3. Bargaining Power Practices and Performance of Airlines

The third specific objective of the study was to establish the effect of bargaining power on the individual performance of local airlines operating in Kenya. The respondents were equally required to indicate their level of agreement on various study subcontract measurement items relating to bargaining power practices of the Airline operating in Kenya. Equally, a 5-point slanting Likert scale was used. The score of 'Neutral' has been taken to represent a statement equivalent to a mean score between 2.6 and 3.4. The score of 'agree' and 'strongly agree' has been taken to represent a statement highly agreed upon equivalent to a mean score between 3.5 and 5.0. The results are presented in table 8.

Bargaining Power Practices Measurement Items	Mean	Std. dev
Capital requirements for operations are highly prohibitive	3.378	1.11461
Airline customers are price sensitive	3.667	1.0072
Most of our clients are from high–end class	3.875	.93680
There is enough Marketing support from the management	4.363	.60187
The Airline has a sufficient budget for marketing	3.325	1.3519
Average mean	3.7216	1.002

Table 8: Bargaining Power Practices on the Performance of Airlines

The study results in table 8 show that, on average, the respondents generally agreed that the Airline is involved in some bargaining power practices, with a mean of 3.7216 and a standard deviation of 1.002. In order to show capital requirements, the respondents moderately agreed that capital requirements for operations are highly prohibitive, with a mean of 3.378 and a standard deviation of 1.11461. However, the respondents strongly agreed that Airline customers are price sensitive, with a mean of 3.667 and a standard deviation of 1.0072. In retrospect, the respondents moderately agreed that most of their clients are from high–end class (mean = 3.875, std. dev. = 0.93680), while the majority of the respondents equally and moderately agreed that there is enough marketing support by the management (mean = 4.363, std. dev. = 0.60187). In addition, the majority of respondents moderately agreed that the Airline has a sufficient budget for marketing, with a mean of 3.325 and a standard deviation of 1.3519.

4.3.4. Transaction Cost Practices and Performance

The fourth specific objective of the study was to examine the influence of transaction costs on the performance of local airlines operating in Kenya. The respondents were equally required to indicate their level of agreement on various study subcontract measurement items relating to transaction cost practices of the Airline operating in Kenya, as shown in table 9.

Transaction Cost Practices Measurement Items	Mean	Std. Dev
The relationship with the partners during product development is considered very good	3.5015	.8354
The Airline incurs huge expenses for marketing	3.7346	1.482
The contracting cost for the Airline is heavy	4.1837	.9103
While making buying decisions, partner flexibility is considered core	4.1224	.8494
Internal capacity to undertake activities in a timely manner is given priorities	4.1222	.9139
The company involves some departments in partner search, selection, and contracting while drafting contracts	3.7610	.9083
Average mean	3.9042	.9832

Table 9: Transaction Cost Practices and Performance of Airlines

From the study results in table 9, the majority of respondents generally agreed that the Airline's transactional cost practices strongly affect performance with a mean of 3.9042 and a standard deviation of 0.9832. However, on relationships, the respondents moderately agreed that the relationship with the partners during product development is considered very good (mean = 3.5015, std. dev = 0.8354). To assess the level of expenses, the majority of respondents indicated that the Airline incurs huge expenses for marketing, with a mean of 3.7346 and a standard deviation of 1.48290. Moreover, the respondents strongly agreed that the contracting cost for the Airline is heavy, with a mean of 4.1837 and a

standard deviation of 0.9103. In equal measure, the majority of respondents strongly agreed that while making buying decisions, partner flexibility is considered core (mean =4.1224, standard deviation = 0.8494) and that internal capacity to undertake activities in a timely manner is given priorities (mean = 4.1222, standard deviation = 0.9139). In addition, respondents strongly agreed that the company involves some departments in partner search, selection, and contracting while drafting contracts, with a mean of 3.761 and a standard deviation of 0.9083.

4.3.5. Performance of Local Airlines in Kenya

For this study, the performance (the dependent variable) of local Airlines operating in Kenya was influenced by strategic alliance practices (the independent variable). Strategic alliance practices were operationalized using entry behavior practices, competitive market practices, bargaining power, and influence of transaction costs. Performance was measured by Economies of scale, Risk reduction, Operational efficiency, and Customer base. To show the trends of performance, the results have been presented in table 10.

Performance Measurement Items	Mean	Std. Dev
The Airline enjoys economies of scale	4.2083	1.141
The Airline facilitates expansion due to alliances formed	3.4324	.8703
Since the alliance, there has been an increase in the operational efficiency of the Airline	4.2568	.9354
The Airline has experienced an increase in the customer base	3.9178	.8368
The Airline has successfully reduced its risks associated	3.7297	.9091
The Airline seamlessly benefits from technological exchange	3.5042	.9141
Average mean	3.8415	.9345

Table 10: Performance of Local Airlines in Kenya

Study results in table 10 revealed that, on average, respondents strongly agreed that the performance of local Airlines has improved. To show economies of scale, the majority of respondents generally agreed that the Airline enjoys economies of scale, with a mean scale of 4.2083 and a standard deviation of 1.141. Meanwhile, the majority of respondents generally agreed that the Airline facilitates expansion due to alliances formed (mean = 3.4324, std. dev. = 0.8703. The respondents strongly agreed that since the alliance, there has been an increase in the operational efficiency of the Airline, with a mean of 4.2568 and a standard deviation of 0.9354. Equally, the majority of respondents strongly agreed that the Airline has experienced an increase in customer base (mean = 3.9178, std. dev 0.8368). On the same strength, the majority of respondents strongly agreed that the Airline has successfully reduced its risks associated with a mean of 3.7297 and a standard deviation of 0.9091. However, there was a moderate feeling that the Airlines seamlessly benefit from the technological exchange. This was shown by the moderate mean of 3.5042 and a standard deviation of 0.9141.

4.4. Diagnostic Tests

4.4.1. Normality Test

Normality tests are done to determine whether the sample data has been drawn from a normally distributed population. The normality test was done using the Shapiro-Wilk test, which also has the power to detect departure from normality due to either skewness or kurtosis, or both. Shapiro-Wilk statistic ranges from zero (0) to one (1), and figures higher than 0.05 indicate that the data is normally distributed (Razali & Wah, 2011). The criterion is to reject the null hypothesis if the p-value of the Shapiro-Wilk statistic is less than 0.05. The results in table 11 show the distribution of data on entry behavior (p-value 0.834>0.05), competitive market (p-value 0.921>0.05), bargaining power (p-value 0.095>0.05), transactional cost (p-value 0.092>0.05), and Performance of Local Airlines in Kenya (p-value 0.61>0.05). Therefore, according to Shapiro-Wilk test, we fail to reject the null hypothesis and conclude that the sample data was normally distributed.

Variable	Shapiro-Wilk		
	Statistic	df	Sig
Entry Behavior	0.944	56	0.834
Competitive Market	0.918	56	0.921
Bargaining Power	0.956	56	0.095
Transactional Costs	0.892	56	0.092
Performance	0.913	56	0.610

Table 11: Normality Tests

4.4.2. Test for Multicollinearity

Multicollinearity was tested by computing the Variance Inflation Factors (VIFs) and their reciprocal, the tolerance. It is a situation in which the predictor variables in multiple regression analysis are themselves highly correlated, making it difficult to determine the actual contribution of respective predictors to the variance in the dependent variable. The Variance Inflation Factors (VIFs) quantify the severity of multicollinearity in a regression analysis. VIFs greater than 10 are a sign of multicollinearity. The higher the value of VIFs, the more severe the problem. Results in table 12 show that all the study variables have a variance inflation factor (VIF) of less than 10: entry behavior (1.269), competitive market (2.725), bargaining power (2.590), and transactional costs (1.851). This implies that there was no severe collinearity with the variables. Thus, all the study variables were maintained in the regression model.

Model		Collinearity Statistics	
		Tolerance	VIF
1	Entry Behavior	0.788	1.269
	Competitive Market	0.367	2.725
	Bargaining Power	0.386	2.590
	Transactional Costs	0.540	1.851
a. Dependent Variable: Performance			

Table 12: Test for Multicollinearity

4.4.3. Test for Heteroscedasticity

Heteroscedasticity refers to non-constant variance while homoscedasticity refers to constant variance. A classical assumption in linear model estimation is that the residual term is homoscedastic. A statistical test of heteroscedasticity was carried out to confirm homoscedasticity with statistical significance. The Breusch-Pagan test was carried out where the BP Lagrange multiplier (LM) statistic was computed for the residuals. The BP and Koenker test the hypothesis:

- H_0: residuals do not exhibit heteroscedasticity (residuals are homoscedastic).

The P-value of the BP-LM test, as shown in table 13, was greater than 0.05, implying that we fail to reject H_0 and therefore conclude that the residuals do not exhibit heteroscedasticity, thus meeting the homoscedasticity assumption.

	LM	Sig	Conclusions
BP	5.998	0.320	Fail to reject H_0
Koenker	1.986	0.654	

Table 13: Test for Heteroscedasticity

4.4.4. Test for Autocorrelation

Pedace (2013) looked at autocorrelation as the relationship between members of a series of observations ordered in time or space and suggested using Durbin-Watson test to check for the presence of autocorrelation between variables. According to Zeng (2016), Durbin-Watson statistic ranges from 0 to 4. A value near 0 indicates the presence of positive autocorrelation, while a value close to 4 indicates the presence of negative autocorrelation. A value ranging from 1.5 to 2.5 indicates that there is no presence of autocorrelation between the variables. The results presented in table 14 indicate that there was no autocorrelation between the variables since the Durbin-Watson coefficient was 1.976.

Model	Durbin-Watson
1	1.976
a. Predictors: (Constant), Differentiation, Cost Leadership, Market Focus, CRM.	
b. Dependent Variable: Performance	

Table 14: Autocorrelation Statistics

4.4.5. Test for Linearity

The linearity assumption asserts that the dependent variable is linearly related to the coefficients of the model and that the model is correctly specified. Linearity was tested using the ANOVA Table where F statistic was computed. If F statistic was found to be significant, this implies an existence of a significant relationship between the dependent variable and the independent variables. If the F significance value for the nonlinear component is below the critical value (example, < 0.05), then there is significant non-linearity (Garson, 2012). Table 15 indicates the F-statistic (4, 53= 3.0407, p-value <0.05). The ANOVA results indicated that the model is significant and concluded that the study's dependent variable (performance) has a linear relationship with the independent variables (Entry Behavior, Competitive Market, Bargaining Power, and Transactional Costs).

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	70.908	4	17.722	3.0407	.000b
	Residual	308.902	53	5.83		
	Total	379.910	57			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Entry Behavior, Competitive Market, Bargaining Power, Transactional Costs.						

Table 15: Test for Linearity ANOVA Statistics

4.5. Inferential Statistics

Both correlation and regression data analyses were used to determine the association among the study variables. Further, an Analysis of Variance (ANOVA) was carried out to test the significance of the overall model fit. The *F-statistic* was used to test the significance of the model fit and was interpreted at a critical value of 0.05 level of significance. The correlation coefficient (r) varies over the range of +1 to -1, where the sign signifies the direction of the relationship. The coefficient would only be true in situations where the significance level will be $p<0.05$. Regression analysis will be carried out to determine the causal relationship (magnitude of the effect) between independent predictors and the dependent variable. The causality analysis included the following: R^2, F values, and beta coefficients at 0.05 significance levels coefficients will be tested.

4.5.1. Correlation Analysis of Study Variables

The study used Pearson's correlation test to test the dependence of performance on entry behavior practices, competitive market practices, bargaining power, and transaction costs of local airlines. Pearson correlation coefficient ranges between zero and one, where the strength of association increases with an increase in the value of the correlation coefficients. The current study employed Taylor's (2018) correlation coefficient ratings where 0.80 to 1.00 depicts a very strong relationship, 0.60 to 0.79 depicts a strong relationship, 0.40 to 0.59 depicts a moderate relationship, and 0.20 to 0.39 depicts a weak relationship. The correlation study results are presented in table 16.

From the results as presented in table 16, there was a strong and significant relationship between entry behavior and performance of the local Airlines in Kenya (r = 0.849, p-value <0.05). The study findings confirm a study by Fahri (2013) that examined the relationships among the barriers to market entry. The study established a presence of curvilinear relationships between some barriers for market entrants and the performance of market entrants. Moreover, the study recommended that Portuguese firms' perceptions of entry barriers suggest that both structural and strategic barriers are important and that the effectiveness of strategic barriers depends on the structural characteristics of the market. However, the study findings are inconsistent with a study by Fahri and Parayitam (2018) which examined the interrelationships of barriers to market entry, capital requirements, business environment, the competitive advantage of incumbent firms, and firm competence on firm performance. Of interest to this study is that there was a moderate but negative effect of the business environment and capital requirements on firm performance.

Moreover, the results revealed a very strong relationship between the competitive market and the performance of local Airlines in Kenya (r = 0.857, p-value =<0.05). The relationship was significant since the p-value of 0.001 was less than the stated 0.05. The study findings confirm a study by Zhang, Wang &Song. M. (2020) explored how competitive intensity moderates the effects of capabilities on sustainable new venture performance. The empirical study results revealed that increasing competitive intensity decreases the positive effects of marketing capabilities on performance. This implies that when the competitive intensity is very high, the positive effects of marketing capabilities on performance become insignificant. Moreover, the study findings confirm a study by Ahamed (2015) that sought to assess the link between competitive intensity and the performance of Bangladesh garment industry. The study findings showed that competitive intensity has a strong and positive effect on performance.

Further, the results revealed a very strong statistical and significant relationship between bargaining power and the performance of local Airlines in Kenya (r = 0.899, p-value =<0.05). The study findings confirm a case study by Aimin and Gray (2014) of four joint ventures between partners from the United States and the People's Republic of China that sought to assess how the bargaining power of potential partners affects the performance of joint ventures. The study findings provided confirmative evidence that the relative levels of joint venture partners' bargaining power have a significant and positive impact on the pattern of parent control in the venture's management. However, a study by Chang, Liu, and Mashruwala (2021) assessed the role of bargaining power and performance in China. The study found a negative association between customers' relative bargaining power and supplier performance. As a result, the study argues that powerful customers may trade off the short-term benefits obtained through supplier concessions. Equally, the study showed a strong and positively significant association between transactional cost and the performance of local Airlines in Kenya (r = 815, p-value < 0.05. The findings are consistent with a study result by Yousuf (2017), which sought to highlight the transaction costs concept and provide a conceptual framework to understand the meaning of transaction costs. Being a desktop review, the literature review revealed that firms must make a comparison between internal and external transaction costs and choose the lowest cost, which enables them to increase profits. This means companies have to reduce transaction costs to the minimum level to achieve more profits and a competitive advantage.

		Performance	Entry Behavior	Competitive Market	Bargaining Power	Transactional Cost
Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
Entry Behavior	Pearson Correlation	.849**	1			
	Sig. (2-tailed)	.002				
Competitive Market	Pearson Correlation	.857**	.289	1		
	Sig. (2-tailed)	.001	.061			
Bargaining Power	Pearson Correlation	.899**	.172	.193	1	
	Sig. (2-tailed)	.000	.079	.084		
Transactional Cost	Pearson Correlation	.815**	.185	.189	.279	1
	Sig. (2-tailed)	.000	.078	.081	.074	
	N	57	57	57	57	57
**. Correlation is significant at the 0.01 level (2-tailed).						

Table 16: Correlation Coefficients for Study Variables

On equal measure, a study conducted by Mohammed and Teru (2020) examined the relationship between Transaction Cost Economics (TCE) attributes and firm performance of Manufacturing Micro, Small, and Medium Enterprises in Nigeria. The study results revealed that the higher the perception that independent accountants will behave opportunistically, the higher the cost of the enterprise, which decreases the propensity to outsource accounting services. Moreover, the study results confirmed the study by Bremen et al. (2010) that analyzed the cause-and-effect chain of inter-firm transaction costs concerning global sourcing from low-cost countries in Switzerland. The resulting qualitative model based on explorative multiple case study research revealed that unexpected transaction costs might result in failed sourcing projects in global supply chains of manufacturing companies.

4.5.2. Regression Analysis

A multiple regression analysis was carried out to determine the causal relationship (magnitude of the effect) between strategic alliance practices predictors and the performance variable. The causality analysis, including both the R^2, the $F-statistics$, and $beta\ coefficients$, tested at 0.05 significance levels. The R-Squared (R^2) was used to determine the variance in performance as dependent on the explanatory variables (entry behavior, competitive market, bargaining power, and transactional cost). The study results in table 17 show that four strategic alliance practices jointly accounted for approximately 80.82% (R^2 = 0.8082) variation in the performance of these local Airline firms in Kenya. This implies that other factors not included in the study account for approximately 19.28% variation in the performance of local Airlines in Kenya.

Model	R	R^2	Adj R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.899a	.8082	.782	.032	.322	68.398	4	53	.000

Table 17: Model Summary (Overall)

The study results in table 17 confirm a study by Rajasekar and Fouts (2016) that indicated that the overall aim of airline alliances is to enhance partner airlines' competitive position as well as equally achieve higher profits for each of the partners, and as Zou & Chen (2017) intones, membership in the global alliance enhances negotiating power for purchasing and supply services like fuels, spare parts, and maintenance services, thus enjoying better deals. This further affirms an argument by Corbo & Shi (2015) asserting that the main objective of global airline alliances is to contribute to long-term airline profitability and development, far beyond what any airline or airlines could achieve individually or bilaterally. In addition, the current study confirms study results by Kottas and Madas (2018) that revealed a statistically significant superior efficiency of Asian and European air carriers over American air carriers due to strategic alliances. Further, an empirical study of the US airline by Agndal and Axelsson (2002) indicated that before deregulation, the airline had only carried 240 million passengers. However, after deregulation, the airline carried nearly 640 million passengers. The alliances have influenced flight booking, procurement, maintenance, traffic hubs, and expenses such as fuel purchases.

Further, the analysis of variance is used to determine whether the regression model is a good fit for the data. It also gives the F-test statistics; the linear regression's F-test has the null hypothesis that there is no linear relationship between the two variables. The F-critical (4.53) was 3.0407, $\rho < 0.05$, as shown in table 18. Since the F-statistic was significantly greater than one (1), the study hence concluded that the model was considered to be a good fit for the data and hence it is appropriate in predicting the influence of the four explanatory study variables on the dependent (Performance) variable.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	70.908	4	17.722	3.0407	.000[b]
	Residual	308.902	53	5.83		
	Total	379.910	57			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Entry Behavior, Competitive Market, Bargaining Power, Transactional Costs.						

Table 18: ANOVA Statistics

Further, the study ran the procedure of obtaining the regression coefficients, and the results were as shown in table 19. The coefficients or beta weights for each variable allow the researcher to compare the relative importance of each independent variable. In this study, the unstandardized coefficients and standardized coefficients are given for the multiple regression equations. However, discussions are based on unstandardized coefficients. The regression coefficients in table 17 show the individual contribution of the explanatory variables (Entry Behavior, Competitive Market, Bargaining Power, and Transactional Costs.) to the performance of local Airlines operating in Kenya. From the study results, the regression model of the study was as follows:

$$Y = 8.765 + 0.713EB + 0.867CM + 0.736BP + 0.643TC$$

The study results in table 19 indicate that the Performance of local Airlines = 8.765 + 0.713 (Entry Behaviour) + 0.867 (Competitive Market) + 0.736 (Bargaining Power) + 0.643 (Transactional Cost).

According to the regression equation established, holding all factors at a constant at zero, the Performance of the local Airline operating in Kenya was 8.765. The findings in table 19 further show the individual contribution of the strategic alliances to performance. The competitive market practice was found to have the greatest contribution to performance with a significant estimate coefficient (T = 4.168, p-value < 0.05). This was followed by bargaining power which had a significant estimate of T = 6.571, p-value < 0.05. In addition, the transactional cost was found to have the least contribution to performance (T = 2.96, p-value < 0.05) even though the contribution was found to be statistically significant.

Model		Unstandardized Coefficients		Standardized Coefficients	T	P-value.
		B	Std. E	B		
1	(Constant)	8.765	0.987		8.881	.000
	Entry Behaviour	0.713	0.199	.456	3.583	.003
	Competitive Market	0.867	0.208	.643	4.168	.000
	Bargaining Power	0.736	0.112	.602	6.571	.002
	Transactional Cost	0.643	0.217	.406	2.96	.004

Table 19: Regression Coefficient Results

5. Summary, Conclusion, and Recommendations

5.1. Summary of the Findings

5.1.1. Entry Behavior and Performance of Local Airlines

The first study objective sought to determine the effect of entry behavior practices on the performance of local airlines operating in Kenya. In order to determine to what extent the respondents felt that entry behavior affects performance, the study results revealed that the Airline often raises the buyer-switching cost. Moreover, respondents generally agreed that the Airline invests in protecting proprietary know-how and that the Airline defensively pursues interrelationships. On the coalitions, the respondents generally agreed that the Airline forms coalitions to raise barriers or co-opt challengers. In addition, the respondents generally agreed that the Airline has absolute cost advantages in the industry. On average, the majority of respondents generally agreed that the Airline involves in some market entry behavior practices in order to influence the performance of the Airline.

5.1.2. Competitive Market and Performance of Local Airlines

The second study objective sought to explore the effect of competitive market practices on the performance of local airlines operating in Kenya. In order to determine to what extent the competitive market affects performance, the study revealed that, on average, competitive market practices by airlines use competitive market practices as a strategy to

improve their performance. From the individual measurement items, respondents generally agreed that the Airline offers peak–off–peak attractive services. The Airline has more flyer frequencies to all the destinations. The Airline's services are seen as low-cost products. Moreover, the respondents generally agreed that the Airline offers regular sales promotions, which are factored into decisions. On customer-specific needs, the respondents generally agreed that their new customers tend to have product-related needs that are different from those of our existing customers. Over the last five years, the respondents generally agreed that the Airline has frequently reacted to competitors' innovations by quickly changing the product portfolio. In addition, the respondents generally agreed that the products we have developed over the last five years were unique on the market at the time they were introduced. On integrations of activities, the respondents generally agreed that their business units and/or functional units are closely intertwined and support each other, thereby improving our competitiveness.

5.1.3. Bargaining Power and Performance of Local Airlines

The third specific objective was to establish the effect of bargaining power on the individual performance of local airlines operating in Kenya. The results showed that, on average, the respondents generally agreed that the Airline is involved in some bargaining power practices. In order to show capital requirements, the respondents moderately agreed that capital requirements for operations are highly prohibitive. However, the respondents strongly agreed that Airline customers are price sensitive. In retrospect, the respondents moderately agreed that most of their clients are from high–end class, while the majority of the respondents equally and moderately agreed that there is enough marketing support by the management. In addition, the majority of respondents moderately agreed that the Airline has a sufficient budget for marketing.

5.1.4. Transactional Costs and Performance of Local Airlines

The fourth specific objective sought to examine the influence of transaction costs on the performance of local airlines operating in Kenya. The study results revealed that the majority of respondents generally agreed that the Airline's transactional cost practices strongly affect performance. However, on relationships, the respondents moderately agreed that the relationship with the partners during product development is considered very good. To assess the level of expenses, the majority of respondents indicated that the Airline incurs huge expenses for marketing. Moreover, the respondents strongly agreed that the contracting cost for the Airline is heavy. In equal measure, the majority of respondents strongly agreed that while making buying decisions, partner flexibility is considered core and that internal capacity to undertake activities in a timely manner is given priority. In addition, respondents strongly agreed that the company involves some departments in partner search, selection, and contracting while drafting contracts.

5.2. Conclusion

Based on correlation analysis results, the study concluded that there was a strong and significant relationship between entry behavior and the performance of the local Airlines in Kenya. Moreover, the results revealed that there is a very strong relationship between the competitive market and the performance of local Airlines in Kenya. Further, the results revealed a very strong statistical and significant relationship between bargaining power and the performance of local Airlines in Kenya. The study findings provided confirmative evidence that the relative levels of joint venture partners' bargaining power have a significant and positive impact on the pattern of parent control in the venture's management. As a result, the study argues that powerful customers may trade off the short-term benefits obtained through supplier concessions. Equally, the study showed a strong and positively significant association between transactional cost and the performance of local Airlines in Kenya.

Moreover, based on goodness of fit results, the study results showed that four strategic alliance practices jointly accounted for approximately 80.82% (R^2 = 0.8082) variation in the performance of these local Airline firms in Kenya. This implies that other factors not included in the study account for approximately 19.28% variation in the performance of local Airlines in Kenya, implying that when the stated study variables are strategically implemented, the performance of these local Airlines will improve. Since the overall aim of airline alliances is to enhance partner airlines' competitive position and equally achieve higher profits for each partner, membership in the global alliance thus would enjoy better deals.

5.3. Recommendations

Since the study established that entry behavior practices statistically and significantly influence the performance of local Airlines in Kenya, the study recommends that these Airline companies improve their market entry behavior practices to improve the performance of the company. In equal measure, from the study findings, it was established that bargaining power had the most statistical contribution to performance. The study hence recommends that the Airline invests more in strategic alliances through partnerships. This has a bearing on the performance of strategic alliance as practice.

Equally, the study revealed that a competitive market strongly contributed to performance after bargaining power. The study hence recommends that these local Airline companies focus on the competitiveness of their markets as this has the potential of competing away the profits accrued in the industry. All the same, since all four stated explanatory variables had a statistical effect on performance, the study recommends that the management of these Airlines improve on them as a standard practice to improve performance.

5.4. Areas for Further Research

The area of strategic alliances practices is an essential area in most sectors, both local and on the global market worldwide. Therefore, the concept requires more attention. The study acknowledges that there are still many more strategic alliance practices variables that are likely to affect the performance of Airlines. The study recommends that future research can explore other strategic alliance practices being adopted by Airlines. Moreover, the current study focused on local Airlines operating in Kenya. The study recommends that strategic alliance practices should be conducted on other globally operating Airlines.

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