Effects of Strategic Management Drivers on Performance of Airports in Kenya

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ABSTRACT

The main objective of this study is to establish the effect of strategic management drivers on performance of airports in Kenya. This study is guided by the following specific objectives:- to find out the effects of strategic human capital on performance of airports in Kenya, to establish the effects of safety and security strategy on airports performance in Kenya, to determine the effects of strategic customer focus management practices on airports performance in Kenya, and to establish the effects of use of strategic ICT on airports performance in Kenya. The study is based on the Contingency theory and Stakeholder theory. The study will adopt correlational research design and will use both statistics (quantitative) and themes (qualitative) to develop strong evidence in support of the study variables. The target population of the study comprises of
2078 respondents cutting across the whole organization ranging from senior managers to staff that are directly linked to the airports operations from all the airports in Kenya.

**Key words** – Strategic Human Capital, Safety and Security strategy, Strategic Customer Focus, Strategic Information Communication Technology

### 1.0 INTRODUCTION

Airports are critical part of economies especially for the regions they are located as they ensure growth frontiers for local and national economies as they create gateways for trade (ACI, 2009). As gateways to regions, airports have been promoted primarily as logistics hubs, and have become focal points for regional development through the fostering of economic growth and attractiveness (Kasarda, 2001). Charles *et al.* (2007) argues that the airports being the gateways to the world plays an important role in the realization of Vision 2030.

Kotler (2000) advanced an argument that days when companies could wait for clients to walk to their organizations are long gone and for them to survive they must realize that their services and products regardless of how they are cannot sell themselves and there is great need to advertise and diversify. Amankwah-Amoah & Debrah (2011) states that liberalization has fundamentally altered the competitive landscape for the airline industry and as a result, competition for scarce human capital has intensified for businesses to gain a competitive advantage over rivals Humphreys & Ison (2004) observed that since privatization airports have been run as dynamic businesses rather than simply being places for aircraft to land and take off.

Douglas (1999) as competition becomes stronger, the choices available for consumers increases forcing the firms to become more flexible in responding to changes in an external environment characterized by intense competition. Kotter & Cohen (2002) argued that in the current hyper-competitive era, a well-structured performance management tool embedded within the performance management framework is key for a company’s management team to identify gaps and take corrective measures.
According to Stonich (1982), successful firm performance depends on effective implementation and rationalization of the basic strategic elements, which contains all possible situations and activities, including the external environment, and internal factors, including a firm's size, age and structure, and strategy choices". However with increasing terrorist activities airport security and safety is now a major concern for all governments around the world (Simonsen and Spindlove 2007).

1.2 Statement of the problem

Given the global nature of the aviation industry, passengers are becoming more enlightened, sophisticated and demanding with regard to security and the service they receive and therefore customer focus must be the primary concern of airport management. Continuous customer satisfaction surveys should be conducted to enable airport management maintain standards, identify areas of improvement and provide a benchmark for putting service performance in context.

With this current trend, most organizations are incorporating strategic management drivers to enhance their performance. This is evidenced and supported by Uzel (2014) who conducted a study on effects of strategic management drivers on the performance of tourism industry in Kenya and found that strategic management drivers had a significant positive influence on performance of the Tourism sector in Kenya.

For the past three decades, air transport sector has been rapidly growing with numbers of airport passengers increasing throughout, however there have been some major setbacks in terms of terror attacks, global financial crisis, Safety and security concerns as well as the competition within the aviation industry .This have tripled a wave of fear and uncertainty in the industry leading to decline in the number of passengers, decline in revenue and overall poor performance of the industry.

It was on the background of the above worrying trends and the fact that the most of the studies reviewed have conflicting findings that this study carried out a comprehensive study seeking to examine effects of strategic management drivers on performance of airports in Kenya and spillover effects to economy at large and shed new light to the Government and other
stakeholders on how effective strategic management drivers can turn around performance of airports in Kenya.

2.0 Research Objectives

2.1 General objective

The general objective of this study was to analyze the effect of strategic management drivers on performance of airports in Kenya.

2.2 Specific Objectives

This study was guided by the following specific objectives:
1) To establish the effect of use of strategic information and communication technology (ICT) on airports’ performance
2) To find out the effect of strategic customer focus on airports performance in Kenya
3) To find out the effect of safety and security strategy on airports’ performance in Kenya
4) To find out the effect of strategic human capital on airports’ performance in Kenya.

2.3 Hypotheses

This study was guided by the following null hypothesis:

H01: There is no significant relationship between use of strategic information and communication technology (ICT) and airports performance in Kenya

H02: There is no significant relationship between strategic customer focus and airports performance in Kenya.

H03: There is no significant relationship between safety and security strategy and performance of airports in Kenya.

H04: There is no significant relationship between strategic human capital and performance of airports in Kenya.
3.0 THEORETICAL FRAMEWORK

3.1 Contingency Theory

Contingency theory is a class of behavioral theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies.

The perspective originated with the work of Joan (1958), who argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority, and the formalization of rules and procedures. Some important contingencies for companies are listed below: technology, suppliers and distributors, consumer interest groups, customers and competitors, government, and unions.

3.2 Stakeholder Theory

Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. Stakeholder theory can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners.

It was argued that this group of network is important than owner-manager-employee relationship as in agency theory (Freeman, 1999). On the other end, Sundaram & Inkpen (2004) contend that stakeholder theory attempts to address the group of stakeholder deserving and requiring management’s attention. Clarkson (1995) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Freeman (1984) contends that the network of relationships with many groups can affect decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders. Donaldson & Preston (1995)
argued that this theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests is assumed to dominate the others.

4.0 EMPIRICAL REVIEW OF STRATEGIC MANAGEMENT DRIVERS

4.1 Strategic Human Capital
Human capital is defined as an employee who has the ability, experience, and knowledge to produce economic value for the company Lepak (1999); Snell & Dean (1992), Cheng-Kang and Yuan-Yin (2011), still in the same source Snell & Dean (1992) state that the knowledge and skills can create staff productivity. So, human capital refers to employees who have ability, experience and knowledge that provide economic value to the organization. Human capital investment is also one of the company's capital sources of innovation and renewal strategy, re-engineering process, as well as the dream of company resources, Bontis (1999). Human capital investment plays an important role on company’s performance. This supports the validity of theories proposed by Snell and Dean (1992); Lepak (1999); Endri (2010).

Njihia et al, (2013) highlight Strategic human capital as one of the organization drivers which helps the organization in monitoring performance, identifying the areas that need attention, by enhancing motivation, improving communication and strengthening accountability. Baptiste(2001) in his study acknowledged that human resource is one of the important assets in a company which can be strategically developed and improved through education and training. According to Lepak (1999) human capital comprises of the personnel who possess ability, experience and knowledge to create the economic value of an organization.

4.2 Safety and Security strategy
Mucheru (2008) pointed out that improved safety and security strategy involve the efficiency of all the systems in the organization while innovativeness is concerned with the ease with which a firm is able to adapt to changing security condition as drivers of future performance. Evered, (2006) argues that there is need for airport security and safety to be a major concern for all governments around the world. Terrorist activities are increasingly common and an unfortunate reality in today's world.
Simonsen (2007) since the attack most countries have strengthened their aviation security systems by either establishing new dedicated security organizations or changing some aspects of their existing security organization structures. It is thus easy to say that establishing a sole organization with a clear command chain for normal conditions as well as crisis situations is the best way to address the problems associated with the organizational structure of aviation security. However Combs & Slann, (2002), pointed out that it is not easy to create a single organization with absolute authority that is responsible for overseeing all the security functions at an airport due to the complexity of airport communities in which various organizations hold various responsibilities.

4.3 Strategic use of Information and Communication Technology

Iravo et al., (2013) states that one of the important questions in business has been why some organizations succeed and why others fail. Adei (2004) argues that information and communications technology has played a tremendous role in all areas of today’s organizations success and is expected to drive organizations to greater and efficient performance. It provides the opportunity for organizations to be in any location on the globe, even the remotest of locality and establish transactions oceans away within fragments of time.

According to Onwuka and Eguavoen, (2007) it will be difficult for a corporation to become a significant player in the global market place without an extensive use of information and communications technology. Information and communications technology are the backbone and infrastructure of globalization and have played a crucial role in the creating of trans-world social spaces (Adei, 2004). Koellinger, (2005) advanced an argument that the key to understanding the impacts of ICT on performance is to view ICT as an enabler of innovation. This conceptualization of new technologies as possible enablers of innovation allows a market-based approach to study the relationship between ICT and performance. It also allows investigating why different firms that invest in the same technology may exhibit different payoffs

4.4 Strategic Customer Focus

passengers are airports’ main customers and their first impressions of airport facilities and services may influence their feelings toward and evaluations of airports, it is essential for airports to provide services with safety, comfort, and convenience in an economic manner. For instance, Incheon International Airport and Changi Airport, the frequent top rankers in the ASQ survey by ACI, both provide the best facilities and services from customers' and airlines' perspectives, feature enhanced staff training, and make necessary equipment and resources available to their staff.

Kohli & Jaworski (1990) noted that businesses are becoming more aggressive in discovering customer wants and building superior customer value in order to satisfy consumers in the face of increased competition. Egeren & O’Connor (1998) organizations must monitor and respond to consumers’ changing needs and preferences to ensure that they select its products/services over its competitors’. Organizations that focus on continuous improvement motivate employees to achieve quality output, and focus on satisfying customers’ needs are found to have a competitive edge (Joiner, 2007).

4.5 Measurement of company’s performance

Douglas and Zabellis (2011) argued that measurement of airport performance involve the passengers themselves in order to yield accurate results. However, much of the research up to now has defined and measured airport service quality through developing a list of indicators from various airport stakeholders (Fodness and Murray 2007).

This study will focus on several key marketing and customer focus initiatives that have been put in place to enhance the performance. Therefore the study will focus on increased market share and high customer turnover as the major indicators of good performance resulting to increased profit levels in the industry. Mshenga & Owuor, (2009) pointed out that strategic drivers of performance are closely linked to specific strategies adopted by the organization in order to maximize organizational performance and are used to gauge how a company is able to meet its targets. Awino (2011) asserts that for an organization to be successful it has to identify strategic performance drivers from the top to the bottom of the organization.

5.0 RESEARCH METHODOLOGY
5.1 Research Design
The study will employ a descriptive and correlational research designs to explore the status of employment of strategic management drivers in enhancing performance without manipulating them. Correlational research is basically concerned with assessing relationships among variables based on the premise that if a statistically significant relationship exists between two variables, then it is possible to predict one variable based on the information available on another variable (Mugenda, 2008). To achieve the study objectives, both qualitative and quantitative data will be collected.

5.2 Target population
The target population of the study will comprise of 2078 respondents drawn from all departments of Kenya Airports Authority. The respondents will cut across the whole organization ranging from senior managers to support staff who were directly linked to the airport operations so as to get a balanced view from all the stakeholders.

5.3 Sampling frame and Sample size
Stratified random sampling will be adopted to arrive at the study sample as the population of the study will be derived from different departments. Stratified random sampling is adopted when the parent population or sampling frame is made up of sub-sets of known size to ensure that the results are proportional and representative of the whole population. A formula used by Nasiuruma (2000) will further be used to derive the required sample size objectively. However a census survey will be taken for all senior management and airport managers totaling to 25 as they are the major decision makers resulting to the overall study sample of 120 respondents.

\[(NCV^2)\]
\[CV^2 + (N-1)\ e^2\ CV^2\]
Where N- is the total population

\[Cv\] is Coefficient of -0.5

\[E\] is tolerance at 95% confidence level which is normally 0.05

\[
\frac{2078 * 0.5^2}{0.5^2 + (2078 - 1)0.05^2} = 120\ respondents
\]
5.4 Data collection methods

The instrument to be used by the researcher in the study is questionnaires which is a list of questions to be answered by the respondents in order to beef up facts and information of interest to the researcher, secondary data will be acquired through analysis of the companies published accounts and quarterly reports.

5.5 Data Collection Procedure

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as questionnaires and interviews.

Primary data will be collected through the administration of questionnaires to four respondents in each firm. Two research assistants will be engaged to mainly make follow-up of the administered questionnaires. The entry point to the firms will mainly be through public relation officer and research departments for those firms which had research department. Secondary data will be obtained from the company’s annual reports. The questionnaires will be self-administered. In some cases drop and pick later or where the respondents are available it will be dropped and picked immediately.

3.7 Pilot Study

The researcher will pilot Jomo Kenyatta International Airport to pretest the questionnaire. Ten Heads of Sections will be given questionnaires and interviewed; this will help the researcher to check whether the questionnaires are okay. Beck et.al. (2003) states that the purpose of a pilot study is not so much to test research hypotheses, but rather to test protocols, data collection instruments, sample recruitment strategies, and other aspects of a study in preparation for a larger study.

3.7.1 Reliability

In this research, questionnaire reliability will be checked by choosing internal consistency method. By using this method, we shall measure the correlation between each item in the
questionnaire and others. For likert scale questionnaires the study will use Cronbach alpha method which is a correlation coefficient between two sets of data. A reliability coefficient of zero indicates that the test scores are unreliable. For social science research purposes, tests with a reliability score of 0.7 and above are accepted as reliable (Kurpius & Stafford, 2006).

Given variable \( x_1, \ldots, x_k \) and \( x_0 = \sum_{j=1}^{k} x_k \)

Cronbach’s alpha is defined to be

\[
\frac{k}{k-1} \left( \frac{\sum_{i<j}^k \text{cov}(x_i, x_j)}{\text{var}(x_0)} \right) = \frac{k}{k-1} \left( 1 - \frac{\sum_{j=1}^{k} \text{var}(x_j)}{\text{var}(x_0)} \right)
\]

3.7.2 Validity

Validity measure ensures that the research tool is measuring what researcher intended to measure or wants to measure (Polit & Hunger, 1985). There are three methods to measure the validity of the research tool, which are: content validity, criterion related validity, and construct validity. Evidence of validity is reported as a validity coefficient, which can range from 0 to +1.00. The validity scores approaching 1 provide strong evidence that the test scores are measuring the construct under investigation (Kurpius & Stafford, 2006). Kurpius & Stafford (2006) further point out that the validity coefficient for a test’s score cannot be greater than the square root of the test’s reliability.

3.8 Data Analysis and Presentation

Quantitative information will be analyzed through statistical procedures. Statistical analyses will cover a broad range of techniques, from simple procedures that we all use regularly to complex and sophisticated methods. Pearson’s correlation analysis will be used to explore the relationships among the variables. To test the hypotheses, multiple regression analysis will be used. The statistical package for social sciences, SPSS (version 20.0) will be used for data analysis.
3.8.1 Qualitative Analysis

The open ended questions will be analyzed qualitatively; data will be classified into various themes for ease of analysis. Conclusions will be made by systematically and objectively identifying specified characteristics of information collected. Content analysis categorises phrases, describe the logical structure of expressions and ascertain associations, connotations, denotations, elocutionary forces and other interpretations (Mugenda&Mugenda, 2004).

3.8.2 Quantitative Analysis

Both descriptive statistics and inferential statistics will be used in the quantitative data analysis. Descriptive statistics such as percentages, mean, standard deviation and variance will be used and the data will be presented in tables, charts graphs.

Inferential statistics such as Pearson’s correlation analysis will be calculated to analyze the strength and direction of association between the dependent and the independent variables, while multiple linear regression analysis will be adopted to provide estimates of net effects and explanatory power.

3.8.3 Correlation and Regression Analysis

Correlation between each independent variable and the dependent variable will be measured using Karl Pearson’s coefficient of correlation. PCC will be generated and displayed in form of a table. Dancey and Reidy's (2004) Pearson’s correlation coefficient categorization will be used to assess the strength of the relationship between the variables as shown in table 3.4 below.

<table>
<thead>
<tr>
<th>Value of the Correlation Coefficient</th>
<th>Strength of Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perfect</td>
</tr>
<tr>
<td>0.7 - 0.9</td>
<td>Strong</td>
</tr>
<tr>
<td>0.4 - 0.6</td>
<td>Moderate</td>
</tr>
<tr>
<td>0.1 - 0.3</td>
<td>Weak</td>
</tr>
<tr>
<td>0</td>
<td>Zero</td>
</tr>
</tbody>
</table>

Source: Dancey and Reidy's (2004)
3.8.4 Multiple Regression Model

A multiple regression model will be used to analyze the data using SPSS version 20. The responses on the likert scale questionnaire will be coded and fed in the SPSS software. The regression model adopted for the study is as follows:

\[ Y_1 \text{ (Organizational Performance)} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 \]

Where:
Y = Organizational performance
\( \beta_0 \) = is the Y intercept/ constant
\( \beta_1 - \beta_5 \) = coefficient of regression which measures how strong each independent variable influence the dependent variable
\( \chi_1 - \chi_5 \) = Independent variables
\( \varepsilon \) = the error term

6.0 CONCLUSION

The study reviewed the theories related to the study which included the Contingency Theory and Stakeholder theory which analyses the relationship between various stakeholders, management (agents) and the conflict between principal and agents and how such conflict affects performance of the firm. It also covered the different strategic management drivers and their effect on performance of airports in Kenya. The conceptualized strategic management drivers are: strategic information and communication technology, strategic customer focus, strategic human capital and strategic Safety and Security strategy. The linkage among the variables is determined and a conceptual framework is hypothesized and relevant gaps explained.

REFERENCES


