Turnaround Strategies and Performance of Kenya Airways

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Abstract

Many organizations across the globe today are facing declining performance at some point in their cycles due to internal and external factors or changes in the business environment. Most often, the organizations enter the state of decline due to pressures emanating from these factors which threaten their existence. These organizations compete for survival in the volatile and hostile market environment (the red ocean) and in order to emerge successful during the times of distress, most of them adopt turnaround strategies to enable them return back to their normal profitability as well as improve their performance. As an alternative response to the crisis, turnaround strategies are applied to enhance an organization's chances of survival and achieve sustainable performance and recovery. This paper is an initiative into a study that sought to determine the effect of turnaround strategies on performance of Kenya Airways. Specifically, the study sought to establish the effects of revenue generating strategy, cost reduction strategy, asset reduction strategy and financial restructuring on performance of Kenya Airways. The study adopted a descriptive research design where data was analysed using descriptive statistics. Findings revealed that the four strategies affected the performance of Kenya Airways positively and contributed a lot to its turnaround.

Keywords: Turnaround, Turnaround Strategy, Revenue Generation Strategy, Cost Reduction Strategy, Financial Restructuring Strategy, Organizational Performance, Restructuring

Introduction

A turnaround situation occurs when a firm experiencing downturn attempts to recover from the declining performance so as to achieve a stable level of performance. It is also a situation where the management tries to manage and stabilize the underperforming or distressed company with an overall aim of returning the company to normalcy. The end result is to bring the company back to its feet in terms of profitability, solvency, liquidity as well as cash flow.

Robinson (1992) defined a turnaround situation as representing absolute and relative -to-industry declining performance of sufficient magnitude to warrant explicit turnaround actions. A firm is said to be in decline when it experiences a resource loss sufficient to compromise its viability (Cameron *et al.,* 1987). The process of turnaround begins after recognition of the need to reverse the adverse effects of environmental pressures or internal weaknesses.

According to Boyne and Richard (2006), there are three major turnaround management strategies abbreviated by 3Rs: Retrenchment, Repositioning, and Reorganization. According to Newton (2009), the strategies focus on revenue increases, cost reduction, asset reduction and redeployment as well as competitive repositioning or a combination of the strategies. Revenue increasing strategies focus on existing product lines which may be supplemented by products that have been temporarily discontinued provided the product can be reintroduced quickly and deemed profitable. The cost reduction strategies are adopted by firms that are close to their current breakeven point with high fixed costs, high labour costs or limited financial resource. The cost reduction strategies usually produce results more quickly than revenue or assets reduction strategies. Assets reduction or redeployment strategies are applied if current sales are less than a third of breakeven sales where decision must be made as to which assets to sell and which to keep. A balance between other strategies such as revenue increases, cost reduction and asset reduction may be achieved as strategies are pursued simultaneously.

Statement of the Problem

Correct identification of decline in organizational performance is a precondition of initiating turnaround. Acknowledging the root cause of a decline is crucial for a company's recovery. The turnaround recovery can be achieved through turnaround strategy which involves retrenchment and recovery strategic activities.

Kenya Airways also known as the national carrier was founded in 1977 after the breakup of the East African Community which caused the demise of East African Airways. It has been a member of the African Airline Association back from 1977 and also a full member of Sky Team since June 2010. It is a public-private enterprise between large stakeholders including the government owning up to 29.8% and KLM (Koninklijke Luchtvaart Maatschappij) Royal Dutch Airlines, owning 26.73%. The rest of the shares are held by private owners. The airline just like many other organizations has been facing a decline in performance as a result of significant losses from the year 2014/2015 which was attributed to various factors including; foreign exchange losses, interest on loans, volatility of fuel prices and maintenance costs of its fleet among others (KQ, 2015).

The airline has since been operating in the red ocean with losses amounting to millions part of which is associated with the political instability across the globe that negatively impacted on the tourism market. Weak economies and stiff competition in international markets arising from regional conflict and competitive challenges lower the break-even load factors as the fields are a little higher than average (KQ, 2016). Further losses were attributed to volatility of exchange rates especially the weakening of Kenya shilling against the US dollar leading to foreign exchange losses, threat of terrorism and epidemic which adversely impacted global travel, as well as stringent international regulatory environment where travel advisories were issued by various countries like Britain and the US who contribute a lot to the revenue of the Company (KQ, 2015).

The cost-effective models and wider range of destinations offered by European, American and Asian airlines covering almost all of Africa in a bid to boost International trade with Africa, posed a most significant threat to KQ as it reworked its expansion strategy and sought to increase volumes seeking to cover its growing operational and financial costs. The airlines had also purchased several new aircrafts, but as a result of reduction in passengers, capacity as well as revenues was reduced. More so, the company had invested in a number of hedges against fluctuations in the price of crude oil, which have seen the carrier lose $56million due to paying high fuel costs even after recent drop in fuel prices. KQ was also faced with high financial costs and loan re-evaluation losses. As a result, the airline posted a net loss of KSh.11.9 billion ($107.2 million) for the half year ending September 2015 up from the KSh.10.45 billion loss it reported during a similar period in the previous year and KSh.26.2 billion net loss for the year ended March 2016 as compared to KSh.25.7 billion previous year (KQ, 2015).

It is for this reason that the airline decided to undertake a turnaround strategy through the help of an external agency McKinsey in order to help it put an end to the loss making it had been grappling with over time as well as propel the airline back to profitability. The strategies were geared towards cost reduction and revenue generation in order to reduce the performance gap and return the airline to profitability (KQ , 2015/2016).This study therefore is aimed at establishing the effects of turnaround and performance of Kenya Airways.

Literature Review

This section covers three theories which highlight the relationship between turnaround strategies and organizational performance. The strategic turnaround theory which advocates for the strategic and operating turnarounds; five forces theory that emphasizes more on the forces present in the competitive business environment which determine the intensity of competition affects the performance of an organization and the resource based theory which focuses more on the resources available for the organization and how they affect their behavior. The empirical review of the variables is also highlighted.

Theoretical Review

Strategic Turnaround Theory

The theory of strategic turnaround emphasizes on two types of turnaround strategies i.e. strategic and operating strategies. According to Hofer (1980), the operating turnaround are actions for firms suffering from inefficiency or threat of bankruptcy while the strategic turnaround actions applies to firms suffering from improper market alignment. The strategic turnaround choices take into consideration new ways to compete in the existing markets or entering new markets. Operating turnaround strategies on the other hand aim at coping with economic recession through cost cutbacks, increasing or generating revenues, reducing assets or a combination of the approaches as indicated in his classical framework for turnaround.

Hofer (1980) further argues that the strategies reflect a different degree of severity of operating situation and the strategy involves cutbacks in discretionary expenses. It is employed by firms that operate below break-even point and need to increase their profitability. Asset reduction involves disposal of assets especially the fixed assets and is a last result solution for firms that operate far below break-even point. This reduces the level of fixed costs and help in reducing total costs of the firm. Revenue enhancement is applied when a firm is operating substantially, but not extremely below break-even level which helps in generating extra revenue. If a firm is operating closer but below break-even levels, it calls for the application of a combination of strategies. Under this method, all the three that is, cost reduction, revenue generation and asset reduction actions, are pursued simultaneously in an integrated and balanced manner and, has favorable impact on cash flows and profits. Porter

(1980) further advises that operating turnaround strategies should be applied in early stages of turnaround through asset and cost reduction and revenue generating which aim to a firm's immediate recovery as well as end of threat facing the firm.

Five Forces Theory

The five forces theory emphasizes on the five competitive forces that shape every industry and market. The forces include the new potential entrants, the power of suppliers and the power of buyers, threat of substitute, and the intensive competitive rivalry in the industry. The forces determine the intensity of competition hence attractiveness in an industry structure and performance as well as profitability which in turn prevents corporate decline. The model analyses the driving forces in an industry and allows organizations to access current strength in their competitive position and strength of the position they are planning to attain. This helps an organization to take advantage of its strengths and improve on its weaknesses so as to compete efficiently (Porter, 1980).

This theory emphasizes on the five forces model in the airline industry in Kenya, where notably, various forces have greatly affected the industry resulting to the corporate decline especially in the case of Kenya Airways. The industry has been affected by a host of external factors which include; high operating costs, high fuel prices, declining passenger traffic, landing and maintenance costs, intense competition from low cost carriers which has led to a great war in pricing thereby leading to corporate decline of Kenya airways (KQ, 2016).

Resource Dependency Theory

The resource dependency theory (RDT) focuses more on organization's resources and how they affect its behavior. The procurement of external resources is essential for both strategic and tactical levels of management in an organization as they depend wholly on resources which originate from the environment. According to Barney (1991), resource-based theory implies that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals. These competitive advantages in turn help the organization enjoy strong profits, over time. The tangibility of a firm's resources is important consideration within resource-based theory. The tangible resources can be readily seen, touched, and quantified, such as physical assets, property, plant, equipment, and cash. In contrast, intangible resources are resources that are difficult to see, touch, or quantify, such as the knowledge and skills of employees, a firm's reputation, and a firm's culture. The intangible resources are more likely to meet the criteria for strategic resources (i.e., valuable, rare, difficult to imitate, and non-substitutable) than are tangible resources. Executives who wish to achieve long-term competitive advantages should place a premium on trying to nurture and develop their firms' intangible resources (Barney, 1991). To accomplish turnaround, there is need for adequate resources which in turn give the organization a competitive advantage over its rivals, bearing in mind resources are scarce and competition is high.

Empirical Review

Various studies have been undertaken regarding turnaround strategies in failing organizations but due to rapid changes in the environment, it begs for defined strategies by managers, where earlier studies have therefore not exhausted this area. A study by Maheshwari (2003), which investigated turnaround challenges and how they impact on performance, found out that the choices available for turnaround were leadership change, asset and people retrenchment, technology upgrading, cost reduction as well as Human Resource interventions. The results further concluded that the implementation of turnaround strategies led to improved organizational performance.

Although the problem of performance decline applies in all industries and sectors of the economy across the globe, it has been viewed and tackled differently in different industries, and countries with varied responses. Thus, as observed, there is limited literature on turnaround strategies and performance of Kenya Airways hence this study sought to fill the existing gap by establishing how the turnaround strategies influenced the performance of Kenya Airways.

Revenue Generation Strategy and Organizational Performance

According to Ritchie and Campiranon (2014), revenue generating strategy enables a company to reach a break-even volume as quickly as possible. It attempts to increase sales by combination of price strategy, increased advertisements and promotions, increased sales forces, added customer services, product re-introductions or change in product portfolio and market share. Other activities considered under revenue generation include; improvement in capacity usage and production process, strict inventory controls, decreasing debt turnover, increasing accounts receivable turnover rate and stock turnover rate. As noted by Thompson, Strickerland and Gamble (2007), revenue generating strategies are at ends and these ends concern the purpose and objectives of the organization. They provide a direction and scope of an organization in order to achieve a long term advantage. Revenue generation strategy applies when the business does not have enough idle capacity to allow major asset disposal or when it is not close enough to break even to prosper by cutting costs, i.e. if the sales of the firm are below break-even point; 30-50%, the business must make concerted effort to increase its volume.

In the Kenyan airline industry for example, the government has major influence in revenue generation through regulations, tax policies as well as business policy. Kenya Airways is also trying to generate more revenue through the sale and subleasing of its aircrafts which will also help in reducing its fleet. The airline is also refocusing on its market and has recently introduced new routes e.g. the Cape Town route geared towards its regional growth and sold out its morning London slot a move geared towards revenue generation.

Cost Cutting/Reduction Strategy and Organizational Performance

Cost reduction or cutting involves cutbacks through reducing maintenance costs, eliminating shrinkages in supply usage, leasing tools and machinery, reducing expenses in Reaserch and Development (R&D) and marketing, and other seemingly discretionary expenses (Flouris & Oswald, 2012). The strategy is often used when a worthwhile business goes into crisis where the management first determines the root of the problem. Across the globe, the cost of production, fuel, raw materials and human resources is rising each year prompting organizations to apply cost reduction strategies in order to survive in difficult times especially in the recent economic down turn. Organizations are unable to retain their workforce hence laying off staff through their own cost reduction programs becomes an option.

According to Hofer (1980) and Robbins and Pearce (1992), companies under severe financial distress need to make aggressive cost and asset reductions in order to survive. Slashing labor costs, production costs, selling and administrative expenses, R&D expenditure, and financing costs is a common strategy used in the early stages of corporate turnarounds (Denis & Kruse, 2000; Beixin & Gibbs, 2008). However, as pointed out by Slater (2001), the aggressive reduction of costs and assets is no easy task because of the possible organizational resistance to such action. Asset-reduction strategies have been recommended for failing companies in order to improve cash inflows. This would help in meeting the immediate cash obligations as well as for creating more productive assets. KQ for example applied this strategy of restructuring in order to cut the unnecessary costs leading to the decline of the airline.

Asset Reduction/Divestment Strategy and Organizational Performance

Asset reduction strategy involves disposal of assets primarily fixed assets. According to Hirriyapi (2010), asset restructuring refers to the sale and disposing off or shedding business units or product divisions on segments of business operations to reinvest the resources for other production and potential business process. The logic with an asset retrenchment strategy is that by reducing underperforming assets, a firm can halt its downward slide and hopefully improve performance (DeWitt, 1993; Hoskisson & Johnson, 1992). If the strategic factor market for a given industry is perfectly competitive, the cost of a resource will approximate its economic value. For example, Kenya Airways sold parts of its Boeing aircrafts among other assets in an effort geared towards asset reduction.

Financial Restructuring and Organizational Performance

According to Schmuck (2012) financial restructuring involves equity issues, changes in dividend policy and debt restructuring i.e. change in debt to asset ratios over the restructuring process. It is the reworking of a firm's capital structure to relieve the strain of interest and debt payments and may be separated as equity based or debt based strategies. Equity based strategies cover dividend cuts or omissions and equity issues; i.e. rights issue, public offer or institutional placing. Firms in financial distress tend to reduce or omit dividends due to liquidity constraints; restrictions imposed by debt covenants or strategic considerations such improving firms bargaining position with trade unions. The firms may also raise equity funds via share issues more than non-distressed with the security of their lending, for example the Kenya Airways' bailout by the government injection of KSh. 4.2 billion into the company in form of a bridging loan to enable it navigate from the strong operational debts. Kenya Airways applied this strategy to restructure its balance sheet in order to develop capital structure to support its operations.

Methodology

In this paper, descriptive research design which is a scientific design where information is collected without changing the environment, influencing or manipulating it in any way, to gain more information about variables within a particular field of study in order to provide a picture of a situation as it naturally exist (Burns &Grove, 2007) was employed. The design was chosen as it is able to give accurate data and provide a clear picture of the phenomenon under study minimizing biasness and maximizing on reliability of evidence collected. It was appropriate for the study as an accurate and authentic description was required in establishing the effect of turnaround strategies and performance of Kenya Airways.

Stratified random sampling was used where the population was divided into strata comprising the stakeholders and the levels of management of the airline. According to Kothari (2004), stratified random sampling involves selecting respondents using well defined strata. Simple random sampling was further applied to select individual's sub-samples from each stratum. Each stratum contributed a sample number which was proportional to its size in the population. Therefore, a sample of 48 respondents, representing the three cadres of the population was used for the study.

Both primary data by help of self-administered questionnaire as well as secondary data through scrutiny of the organization's strategic plan, annual reports, investor's briefs, financial statements, marketing plan, the organization's website and other publications was collected. The collected data was then analyzed using both quantitative and qualitative methods. The findings were descriptively presented in tables, and for further analysis and to facilitate comparison, the authors used inferential statistics inform of regression analysis to measure the degree of relationship between independent variables and dependent variable which carried the following model of regression ($Y=\beta0+\beta1X1+\beta2X2+\beta3X3+\beta4X4$).

Findings and Discussion

Revenue Generation Strategy and Performance of Kenya Airways

On whether revenue generating strategy influenced performance of Kenya Airways, the respondent's findings were as follows:

Table 1: Revenue Generation Strategies and Performance of Kenya Airways

Statement	**Greatly**	**Moderate**	**Not at all**	**Mean**	**SD**
Sale of asset like land and aircraft to raise revenue growth significantly	43.9%	36.6%	19.5%	1.8	0.8
Enhanced incentives to the airline agents and customers as well as loyalty program, and firming up ticket sales deals with big clients to increase bookings as well as revenue	58.5%	29.3%	12.2%	1.5	0.7
Expansion of regional market as well as increased frequencies to key regional routes to build strong growth in regional demand	56.1%	24.4%	19.5%	1.6	0.8
Identification of strategic partnership for code sharing on strategic routes	65.9%	12.2%	22.0%	1.6	0.8
Identification of more competitive products	58.5%	29.3%	12.2%	1.5	0.7
Average				**1.6**	**0.7**

Source: Field Data (2017)

Regarding sale of asset like land and aircraft and how this could raise revenue growth significantly, 43.9% of the respondents indicated greatly, 36.6% indicate moderate while 19.5% indicated not at all. Regarding the statement enhancing incentives to the airline agents and customers as well as loyalty program, and firming up ticket sales deals with big clients to increase bookings as well as revenue, majority of the respondents 58.5% indicated greatly, 29.3% indicated moderate while 12.2% indicated not at all.

Further, on expansion of regional market as well as increased frequencies to key regional routes to build strong growth in regional demand, results of the study indicated that 56.1% said greatly, 24.4% moderate and 19.5% not at all. Further, on identification of strategic partnership for code sharing on strategic routes, majority of the respondents 65.9% indicated greatly, 12.2% indicated moderate while 22% indicated not at all. Finally, the respondents were asked to respond on the statement identification of more competitive products, majority of who 58.5% indicated greatly, 29.3% moderate while 12.2% indicated not at all. The studies agreed with that of Ritchie and Campiranon (2014), that revenue generating strategy enable a company to reach a break-even volume as quickly as possible. It attempts to increase sales by combination of price strategy, increased advertisements and promotions, increased sales forces, added customer services, product re-introductions or change in product portfolio and market share. On a three point scale, the average mean of the responses was 1.6 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 0.8 meaning that the responses were clustered around the mean response.

Cost Reductions Strategy and Performance of Kenya Airways

On the effects of cost reductions strategies on performance of Kenya Airways, the respondents' findings were as follows:

Table 2: Cost Reductions Strategies and Performance of Kenya Airways

Statement	Greatly	Moderate	Not at all	Mean	SD
Reduction of operating costs as a result of restructuring	48.8%	29.3%	22.0%	1.7	0.8
Reduction of the airline fleet to cut down on cost	41.5%	36.6%	22.0%	1.8	0.8
Renegotiation of the airline contracts	46.3%	34.1%	19.5%	1.7	0.8
Reduction of ground handling costs by renegotiating its ground handling and security contracts for its stations	53.7%	26.8%	19.5%	1.7	0.8
Introduction of on-time performance aircraft turnaround times and asset utilization	48.8%	31.7%	19.5%	1.7	0.8
The overhead and fuel costs has reduced	46.3%	39.0%	14.6%	1.7	0.7
Joint procurement and sharing services waste especially in catering	56.1%	24.4%	19.5%	1.6	0.8
Average				**1.7**	**0.8**

Source: Field Data (2017)

Regarding reduction of operating costs as a result of restructuring, 48.8% of the respondents indicated greatly, 29.3% indicate moderate while 22% indicated not at all. Regarding the statement reduction of the airline fleet to cut down on cost, majority of the respondents 41.5% indicated greatly, 26.6% indicated moderate while 22% indicated not at all. Further, on the statement renegotiation of the airline contracts, results of the study indicated that 46.3% said greatly, 34.1% moderate and 19.5% not at all. Further, on reduction of ground handling costs by renegotiating its ground handling and security contracts for its stations, majority of the respondents 53.7% indicated greatly, 26.8% indicated moderate while 19.5% indicated not at all. On introduction of on-time performance aircraft turnaround times and asset utilization, majority of the respondents 48.8% indicated greatly, 31.7% indicated moderate while 19.5% indicated not at all. Regarding the statement, that overhead and fuel costs has reduced majority of the respondents 46.3% indicated greatly, 39% indicated moderate while 14.6% indicated not at all. On joint procurement and sharing services waste especially in catering, majority of the respondents 56.1% indicated greatly, 24.4% moderate while 19.5% indicated not at all.

On a three point scale, the average mean of the responses was 1.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 0.8 meaning that the responses were clustered around the mean response.

The results agree with multiple researchers in the field of turnaround management who emphasize on the importance of cost retrenchment for achieving turnaround success (Hofer, 1980; Bibeault, 1999; Robbins& Pearce, 1992). Further, Newton (2009), stresses that managerial restructuring is employed not only to cut costs but also to rationalize staff. In most turnarounds, top management generally is replaced with outsiders rather than insiders.

Asset Reduction Strategies and Performance of Kenya Airways

On the effects of asset reduction strategies on performance of Kenya Airways, the findings were as follows:

Table 3: Asset Reduction Strategies and Performance of Kenya Airways

Statement	**Greatly**	**Moderate**	**Not at all**	**Mean**	**SD**
Divestment of non-core assets by the airline	41.5%	41.5%	17.1%	1.8	0.7
Discontinuing unpromising services and products including routes	53.7%	36.6%	9.8%	1.6	0.7
Sale and sub-lease of aircrafts to rationalize it excess capacity as well as increase aircraft utilization	41.5%	31.7%	26.8%	1.9	0.8
Average				**1.7**	**0.7**

Source: Field Data (2017)

On divestment of non-core assets by the airline, 41.5% of the respondents indicated greatly, 41.5% indicate moderate while 17.1% indicated not at all. Regarding the statement discontinuing unpromising services and products including routes 53.7% indicated greatly, 36.6% indicated moderate while 9.8% indicated not at all. Finally, the respondents were asked to respond on the statement sale and sub-lease of aircrafts to rationalize its excess capacity as well as increase aircraft utilization, 41.5% of the respondents indicated greatly, 31.7% moderate while 26.8% indicated not at all.

On a three point scale, the average mean of the responses was 1.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 0.7 meaning that the responses were clustered around the mean response. The results thus agreed with Shleifer and Vishny (1992) that firms operating in industries that have declined and have low levels of liquidity improve their state through divesting or discontinuing their non-core assets thus raising their liquidity levels. This is achieved when the firms offer a significant discount to sell assets quickly so that they can raise revenues to sustain the firm as well as do away with unnecessary or idle assets.

Financial Restructuring and Performance of Kenya Airways

On the effects of financial restructuring on performance of Kenya Airways the findings were as shown in Table 4.

Table 4: Financial Restructuring and Performance of Kenya Airways

Statement	**Greatly**	**Moderate**	**Not at all**	**Mean**	**SD**
Increase in the airline turnover as a result of financial restructuring	53.7%	31.7%	14.6%	1.6	0.7
Increase in operating profit due to financial restructuring	41.5%	31.7%	26.8%	1.9	0.8
Renegotiation of the airline debt to decrease interest rates on short term loans	56.1%	26.8%	17.1%	1.6	0.8
There has been reduction of bills receivable and inventory	46.3%	36.6%	17.1%	1.7	0.7
The airline has put in place cash and budgetary control systems	41.5%	34.1%	24.4%	1.8	0.8
Adaption of capital raising from the airline shareholders including the government	43.9%	41.5%	14.6%	1.7	0.7
Reduction in debt ratio	41.5%	41.5%	17.1%	1.8	0.7
Average				**1.7**	**0.8**

Source: Field Data (2017)

With regard to increase in the airline turnover as a result of financial restructuring, 53.7% of the respondents indicated greatly, 31.7% indicate moderate while 14.6% indicated not at all. Regarding the increase in operating profit due to financial restructuring, 41.5% indicated greatly, 31.7% indicated moderate while 26.8% indicated not at all. On renegotiation of the airline debt to decrease interest rates on short term loans, results of the study indicated that 56.1% said greatly, 26.8% moderate and 17.1% not at all. Further, on the statement, there has been reduction of bills receivable and inventory, 46.3% of the respondents indicated greatly, 36.6% indicated moderate while 17.1% indicated not at all.

Further, on the statement the airline has put in place cash and budgetary control systems, majority of the respondents 41.5% indicated greatly, 34.1% indicated moderate while 24.4% indicated not at all. Regarding the statement, adaption of capital raising from the airline shareholders including the government 43.9% indicated greatly, 41.5% indicated moderate while 14.6% indicated not at all. Finally, the respondents were asked to respond on the statement reduction in debt ratio, 41.5% of the respondents indicated greatly, 41.5% moderate while 17.1% indicated not at all.

On a three point scale, the average mean of the responses was 1.7 which means that majority of the respondents were agreeing to the statements in the questionnaire. The standard deviation was 0.8 meaning that the responses were clustered around the mean response.

The results agree with Schmuck (2012) on financial restructuring where equity issues, changes in dividend policy and debt restructuring i.e. change in debt to assets ratios over the restructuring process should be adopted when a firm is undertaking financial restructuring. This involves the reworking of a firm’s capital structure to relieve the strain of interest and debt payments identified as equity based or debt based strategies.

Regression Analysis

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921[a]	.745	.838	.495

a. Predictors: (Constant), Revenue generation strategies, cost reduction strategies, asset reduction strategies and financial restructuring

Source: Field Data (2017)

The above model showing the coefficient of determination, explains the extent to which changes in dependent variable is brought out by change in independent variable which can also be explained as the percentage in the variation. All the four independent variables (cost reduction, financial restructuring, asset reduction, and revenue generation) explain the variation. From the four independent variables studied, there was 74.5% of variance in organizational performance represented by R^2. In this case, other factors not studied contributed 25.5% of variance in the dependent variable. This therefore shows that a further research should be conducted to investigate the influence of turnaround strategies on the organizational performance of the airline.

Table 6: Analysis of Variance (ANOVA) [a]

Model	Sum of Squares	df	Mean square	F	Sig.
1 Regression	25.483	4	6.371	14.866	.003[b]
Residual	15.856	37	.429		
Total	41.340	41			

a. Predictors: (Constant), Revenue generation strategies, cost reduction strategies, asset reduction strategies and financial restructuring

b. Dependent Variable: Organizational Performance

Source: Field Data (2017)

The F critical at 5% level of significance was 3.44. Since F calculated is greater than the F critical (value=14.9), it shows that the overall model was significant. The significance, 0.003 is less than 0.05, indicating that the predictor variables, (revenue generation, cost reduction, asset reduction and financial restructuring) explain the variation of the dependent variable which is organizational performance. The F critical at 5% level of significance was 25.48. Conversely, since the significance value of F (14.866) was larger than F critical, at 5% level of significance, this shows that the overall model was significant.

Table 7: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.767	.585		4.727	.000
Revenue generation	1.315	.154	.110	.749	0.032
Cost reduction	1.580	.150	.273	1.895	0.015
Asset reduction	0.510	.153	1.393	2.683	0.049
Financial restructuring	1.402	.142	1.105	.716	0.023

Source: Field Data (2017)

From the regression analysis, the substitution of the equation is ($Y= \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4$), $Y=3.767+1.315X_1+1.580X_2+0.510X_3+1.402X_4$). Where, Y is the dependent variable i.e. organizational performance, X_1 Revenue generation strategy, X_2 Cost reduction strategy, X_3 Asset reduction strategy and X_4 Financial restructuring. When all the four factors are held constant, the performance of Kenya Airways was 3.767. The findings indicated that any increase in revenue generation led to 1.315 increase in the performance of KQ. A unit increase in cost reduction lead to 1.580 increase in performance of KQ. Increase in asset reduction and financial restructuring, lead to a 0.510 and 1.402 increase in performance respectively. This is consistent with the theoretical arguments and past empirical research on asset retrenchment where firms experiencing financial downturn employ asset retrenchment and divestment, which in turn leads to improved performance in the process as the underperforming assets are reduced leading the firm to focus on those assets it can utilize effectively (Hambrick & Schecter, 1983; Robbins & Pearce, 1992).

At 5% level of significance and 95% level of confidence, revenue generation had 0.032 level of significance, cost reduction 0.015, asset reduction 0.049 and financial restructuring had 0.023 level of significance. This implies that the most significant factor was cost reduction strategy which had a great impact on the performance of the airline followed by financial restructuring, revenue generation and asset reduction. When all factors were held constant, an increase in cost reduction strategy led to 0.015 increase in performance of KQ, an increase in financial restructuring, led to 0.023 increase in performance, an increase in revenue generation led to 0.032 increase in performance while a reduction/restructuring of unprofitable asset, led to 0.049 increase in performance of the airline.

The findings generated from the study compares well with the empirical literature which indicated that turnaround strategies influences organizational performance positively as all the strategies employed, had a positive impact on performance of Kenya Airways in one way or another. As outlined in the empirical review, the turnaround strategies are generated towards increasing revenue, reducing cost, assets reduction or retrenchment in order to reinvest the resources for other production and potential business process as well as financial restructuring which are all geared towards improving the performance and productivity of an organization. All the strategies adopted by KQ had a positive impact on its performance as per the regression analysis.

Implications to Research and Practice

The study findings presented in this paper would be of much benefit to the stakeholders, management of Kenya Airways as well as the airline industry in Kenya in understanding the effective turnaround strategies available to boost their performance as well as counter the poor performance bearing in mind the global competitiveness. The study would also benefit key policy makers in the airline industry in Kenya by providing information on the concept of turnaround strategies as well as theoretical framework on turnaround, which will in turn help them in dealing with non performing businesses and preventing corporate decline, as well as place the necessary systems to curb it. Also, the study results will be of value to scholars and other researchers as it will provide relevant literature as well as basis for future research on turnaround management. The students and academics will use the study as a reference and basis for discussion on turnaround strategies.

Conclusions

The conclusions drawn here were informed by the study findings in relation to the findings of other similar studies. On the influence of revenue generating strategies on performance of Kenya Airways, the study concluded that revenue generating strategies influenced performance of Kenya Airways by increasing sales through a combination of price strategy, increased advertisements and promotions, increased sales forces, added customer services, product re-introductions or change in product portfolio and market share. Other activities considered under revenue generation which led to increased revenue and sales volume included improvement in capacity usage and production process as well as strict inventory controls. Second, cost reductions strategies were found to affect performance of Kenya Airways. More so, it was concluded that asset reduction strategies affected performance of Kenya Airways. This involved disposal of assets primarily fixed assets. Finally, financial restructuring was also found to have an effect on performance of Kenya Airways. This involved reworking of the airline capital structure to relieve the strain of interest and debt payments based on two strategies i.e. equity and debt based strategies.

Recommendations

Organizations facing declining performances, should apply turnaround strategies especially cost reduction and financial restructuring, in order to improve their performance.

Kenya Airways on the other hand needed to finalize the implementation of the turnaround strategies in order to achieve its full results and benefits, so as to return to operational profitability and curb the decline.

The management of the airline should fully support the strategy and fully operationalize the turnaround plan in response to the changes in the environment with the involvement of all key stakeholders to ensure inclusion as well as support of the strategy. This will also ensure a successful turnaround of the airline and will be achieved through teamwork as well as by providing a conducive working environment.

The study also recommended that KQ adopts better cost reductions strategies, to ensure that unnecessary costs within the company are reduced and to guarantee the company an improved performance.

The government on the other hand should increase the bailout of the airline as its one of the key stakeholders in order to facilitate the implementation of the strategies as well as improve its performance.

Further, the study recommended that, the management should focus much on creating a blue ocean out of the red ocean of its core framework, so as to strengthen the airline against its competitors instead of benchmarking which will help to reduce competition as well as a repeat of the situation given the competitive volatile (red ocean) environment it is operating in. The company must also put in mind changes in technology which might hinder the implementation of the same as well as affect its future operationalization, as well as invest more on research on the lessons and challenges of implementing turnaround strategies in the airline industry.

Recommendation for Further Research

Arising from the findings and discussion, it is observed that the implementation of the turnaround is still ongoing, thus a further research should be conducted to establish the end results of the same. A further research can also be conducted on how financial restructuring in relation to employee restructuring affects the image of an organization during turnaround especially in the case of KQ. A comparative study can be carried out on factors influencing the outcome of turnaround strategies adopted by reviving firms in different airline industries.

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