ISSN 2411-7323

Int Journal of Social Sciences Management and Entrepreneurship 2(1): 177 -195, April 2018

INFLUENCE OF MACRO-ENVIRONMENTAL FACTORS ON ORGANIZATIONAL PERFORMANCE OF AIRLINES: A CASE STUDY KENYA AIRWAYS LTD

MWANGI ESTHER NJERI [1], DR. WEKESA SUSAN [2]

[1 2] Lecturer Jomo Kenyatta University of Agriculture and Technology

Abstract

The airline business depends on the wellbeing of international trade and the stability of the environment in which they operate. Kenya Airways should take great interest in the macro-environmental forces of its markets both locally and internationally (KQ Annual Report, 2014). Statistics indicate that Kenya Airways posted $290m loss in the 2014/2015 financial year and this was largely attributed to change in the macro-environmental forces. The effect of macro-environmental forces on the organisational performance of the airline industry especially in Kenya has received little attention in academic research. This study sought to establish the influence of macro-environmental factors on organisational performance of Kenya Airways. This study adopted descriptive research design and was limited to two financial years, April 2013 to March 2015 due to resource constraints. The target population of this study was 245 staff working in Kenya Airways Finance department. Stratified random sampling was used to select 74 respondents. Most staff members were involved in the change management process and the selection will be considered as representative of the population. The researcher used a questionnaire as primary data collection instrument. The questionnaires were tried out. Content analysis and descriptive analysis was employed. Data was grouped into frequency distribution tables to indicate variable values and number of occurrences in terms of frequency. Tables and other graphical presentations were used to present the data collected for ease of understanding and analysis. In addition, a multiple regression was used. The study established that political and legal factors affect the organisational performance of Kenya Airways Limited. The study found that economic factors on organisational performance of Kenya Airways Limited. The study revealed that technological factors affects organisational performance of Kenya Airways Limited. The study found that social factors affect the organisational performance of Kenya Airways Limited. The study recommends that there is need for the government to develop policy framework that will protect local industries from political and legal influence. The study recommends that there is need for government and various policy makers to put in place policies that will improve the economic condition surrounding the airline industries. There is need for the management of Kenya Airways to adopt modern technologies in the airline industries; this will help in making them competitive and thus improving their performance. There is need for the management of Kenya Airways to align their product and service in line with the changes in social environment; this will help to improve their performance.

Keyword: Economic factors, financial performance, Political & Legal factors, Technological factors and Social factors.

Introduction

The environment of an organization in business is described as "the pattern of all the external conditions and influences that affect its life and development" (Minzberg *et al.*, 2012). The external environment consists of remote forces, that is, the political, economic, social, technological, environmental and legislative, as well as industry forces which include competitors, suppliers, customers, new entrants and substitute products. Johnson and Scholes (2007) argue that studying these forces is critical and enables a firm evaluate its competitive position vis a vis its strategy, internal resource capabilities and stakeholder acceptability. Porter (1980) argues that competitive strategy evolves from understanding the industry's attractiveness and a firm's competitive position. Miles and Snow (2008) linked positive organizational performance in firms that adapted their strategies faster to external forces than those which did not. The challenge is for firms to ensure a fit or alignment of their strategies and organizational capabilities to external environmental forces. Globalizations of the economy and the technological changes have transformed the business environment, with new challenges and opportunities emerging for firms (Hansen *et al.,* 2004; Johanson *et al.,* 2009). Increased competition, developing customer needs and responsiveness to firm's environment has become a vital factor for companies. This is to say that a company's product /services could be the results of complex activities.

The aviation sector is probably the most important mode of transport intermediary in the economy because of the role it plays as the quickest mode of transport for both passengers and freight (ICAO, 2006). Air travel remains a large and growing industry. It facilitates economic growth, world trade, international investment and tourism and is therefore central to the globalization taking place in many other industries. A country such as Kenya which relies heavily on foreign earnings through the export of agricultural produce is a direct beneficiary of airline services (Omondi, 2006). According to International Air Transport Association (IATA), international air travel markets performance was above the 10-year average growth rate of 5.6% and the 5.2% annual growth experienced in 2013, compared to 2012. The largest increase was recorded by Asia Pacific carriers who recorded an increase of 5.8% compared to 2013. Global airline profitability continues to be concentrated in North America with more than 50% of the forecast profits, followed by Asia-Pacific and Europe. Despite the significant increase in demand and capacity, the Middle East is still low on profitability. On the home front, African airlines experienced the slowest annual demand growth, up 0.9% compared to 2013. Africa has been the weakest region as regards the aviation industry. In the past 2 years, profits have been barely positive, and represent just $2.51 per passenger. Performance is improving, but at a slow pace. Africa's opportunity remains high and its strong performance over the last decade will continue to propel its growth into the future. (www.iata.org).

In Kenya, the transportation industry is heavily influenced by the threat of terrorism and the shifting preferences of European visitors as a result of the economic crisis. The aviation industry in Kenya has also for the past decade, undergone many regulatory reforms. These reforms have brought about many structural changes in the sector and have encouraged many operators to enter into the industry. Each airline industry usually has four goals which include avoiding flying with empty seats, maximizing the total net revenue of the airline, attracting customers or guests from other airlines and creating and sustaining customer loyalty through well thought loyalty programs for their regular travellers (Devlin, 2003).

The organizations' environment is the set of forces surrounding an organization that have the potential to affect the way it operates and its access to scarce resources. The organization needs to properly understand the environment for effective management (Davis & Powell, 2012). Thus, environment is the influences that an organization must manage and is composed of the institutions or forces outside the organization that potentially affect the organization's performance (Rao, 2008). Organizations seek to manage the uncertainty imposed by their interdependence with the environment in two ways: (a) through internal strategies of adaptation and adjustment or organizational design and (b) through external environmental conditions which are important in effective strategic responses by organization (Mitchell *et al.,* 2011; Hough *et al.,* 2003).

The environment not only moderates the relationship between decision-level factors highlighted in previous studies (Hough & White, 2003) but it also impacts the consistency of the direction themselves (Mitchell et al., 2011). Further, the environment determines the structure of an organization and the two basic factors that define an organization environment are complexity and stability (Hough and White, 2003). Depending on the mix of complexity and stability, an organization may develop specific roles and departments to manage the organizational environment. The degree of instability in an environment is captured in the volatility dimension. When there is a high degree of unpredictable change, the environment is regarded as dynamic. Organizations face challenges of uncertainties as they operate in dynamic and complex environments. This is because they have little room for error, high unpredictability and diverse set of elements in the environment to monitor constantly (Rao, 2008).

As the environment changes, organizations find themselves in an unfamiliar environment and have to respond to the changes in the environment by integrating change and internalizing the ability to adapt to the new environment for survival and growth. Organizations respond to turbulence in the environment by formulating new strategies (Pearce & Robinson, 2011). Most industries are very sensitive to changes in the macro-environmental factors. However, the factors aren't controlled directly by the companies in the industry. Companies are forced to alter their business models, pricing, revenue, and cost structures to suit their customers' changing needs in different economic conditions. As a result, knowledge of the trends and the economic life cycle can help predict external opportunities. It can also predict risk factors of investing in the industry (http://marketrealist.com).

Organisational performance is a measure of the change of the state of an organization, or the outcomes that results from management decisions and the execution of those decisions by members of the organization (Robert et al., 2006). Organizational performance is based upon the idea that an organization is the association of productive assets like human, physical, and capital resources, for the purpose of achieving a shared purpose (Barney, 2001). As a result, the essence of performance is the creation of value. As long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist.

Value may be tangible or intangible, operational or financial. Public companies like Kenya Airways, seek creation of shareholder value as their ultimate objective (de Waal, 2001). This can be measure in terms of efficiency ratios which include Return on Assets (ROA) & Return on Equity (ROE). The ROA, defined as net income divided by average total assets, reflects how well a company management is using the company real investment resources to generates profits and the ROA is widely used to compare the efficiency and operational performance of company as it looks at the returns generated from the assets financed by the company. Another measure of efficiency is the return on equity (ROE). It indicates how effectively the management of the enterprise is able to turn shareholders' funds into net profit. It is the rate of return flowing to the company's shareholder (Illo, 2012). Higher ROA and ROE reflects higher managerial efficiency of the company's and vice versa.

According to Hassan and Bashir (2003), growth has long been considered a critical and distinct component of organizational performance. It is well known that companies often sacrifice efficiency for growth in order to accelerate the development of new products. Growth measures include ratios that present some indication of organizational growth and may include change in sales, operating assets, total expenses, total assets, and operating expenses. Castrogiovanni, (2001) argued that a firm's ability to maintain or increase its sales level and market share in hostile environments, where there is increasing competition from both domestic and foreign firms, is a generally-accepted performance indicator of short-term survival and adjustment. This study will seek to measure growth in terms of change in revenue and change in assets of Kenya Airways.

Kenya Airways Limited is the flagship carrier airline of Kenya, engaged in the operation of international and domestic air services, carrying passengers, freight and mail. In addition, it provides ancillary services like ground handling to other airlines and the handling of import and export cargo. The company's head office is located in Embakasi, Nairobi with its hub at Jomo Kenyatta International Airport (www.kenya-airways.com). Kenya Airways was established in February 1977 following the break-up of the East African Community and subsequent disbanding of the jointly owned East African Airways. The government made the first move towards privatization by publishing the sessional paper No.1 of 1986 on Economic Management for Renewal Growth. The 1992 policy paper on public enterprise reform and privatization gave high priority to the privatization of Kenya Airways. In 1995, Kenya Airways went into partnership with KLM Royal Dutch Airlines.

The company became fully privatized in 1996. After privatization, besides profit- making and safety, customer satisfaction became the major objective of Kenya Airways. Under government ownership, customers had a lot of problems with Kenya Airways. There were constant delays, loss of luggage and pilferage, overbooking, difficulties with connecting flights and lack of service recovery. Poor products such as old aircrafts, seats and entertainment system made the situation worse (KQ Annual Report, 2014). Kenya Airways is currently a public-private partnership. The largest shareholder is the Government of Kenya (29.8%), followed by KLM, which has a 26.73% stake in the company. The rest of the shares are held by private owners; shares are traded in the Nairobi Securities Exchange, the Dar es Salam Stock Exchange and the Uganda Securities Exchange. Kenya Airways is widely considered as one of the leading Sub-Saharan operators, and is ranked fourth among the top ten airlines that operate in Africa by seat capacity, behind South African Airways, Ethiopian Airlines and Egypt Air. The airline became a full member of SkyTeam in June 2010, and is also a member of the African Airlines Association since 1977 (www.kenya-airways.com).

In the financial year 2014/2015, Kenya Airways announced its biggest annual loss ever. This loss was partly blamed on decline in Kenya's tourism sector. During the year some countries had issued travel advisories warning about terror threats in certain parts of the country. The airline also faced stiff competition from Gulf carriers. Competition from within the continent was also a factor, with Ethiopian Airlines becoming a major regional rival. Losses were forecasted but these were much worse than they were expected. Also, the timing of the upgrade to Boeing 787 Dreamliners in 2013 was unfortunate as it coincided with the tourism slump and the growth of the fleet which was not matched by revenue growth. Kenya Airways was also hit by insuring itself against fuel price rises at exactly the time when prices have been falling. The airline is now looking for a $200m loan to help it through this period (KQ Annual Report, 2014).

Statement of the Problem

The airline business depends on the wellbeing of international trade and the stability of the environment in which they operate. The recent up-rise in the political unrests in West Africa, the 2007 post-election violence in Kenya, the political elections in other African countries, legislation in the aviation industry, volatility of foreign exchange rates and technological changes are issues of concern to the aviation industry in Kenya. Other factors include the security situation in the home market leading to travel advisories from the key tourist source markets for Kenya i.e. United Kingdom, United States, France and Australia. Further Ebola pandemic equally impacted the airline performance with direct impact being felt during the suspension of Kenya Airways' operations into Liberia and Sierra Leone (KQ Annual Report, 2014). The external environment in which a firm operates presents the firm with opportunities, threats and constraints (http://marketrealist.com). The external environment consists of macroeconomic factors which include political, economic, social, technological, environmental, and legal factors. These have a huge impact on organisational performance of the airline industry and thus, airlines cannot afford to ignore them as they will determine whether or not they sustain competitive advantage. Before creating business plans or when evaluating existing ones it is important to therefore 'scan' the external environment.

Kenya Airways should therefore take great interest in the macro-environmental forces of all its markets both locally and internationally (KQ Annual Report, 2014). Statistics indicate that Kenya Airways posted $290 m loss in the 2014/2015 financial year, this was largely attributed to decline in Kenya's tourism sector due to terrorism threat in the country, travel advisories by foreign countries, competition from rival airlines in the region and internationally and hedging of fuel prices. In a bid to respond to the environmental forces, Kenya Airways upgraded its aeroplanes by ordering its first Boeing 787 Dreamliner and insuring itself against fuel price rises (KQ Annual Report, 2014).

The effect of macro-environmental forces on the organisational performance of the airline industry especially in Kenya has received little attention in academic inquiry. Studies done on Kenya Airways have not tackled the issue of the macro environmental force and its influence on the company’s organisational performance (Rajula, 2012; Irungi, 2012; Rono, 2012; Muhia, 2012; Mutia,2011; Kimeu, 2011; Kubai, 2010; Waime, 2010; Gwako, 2008; Gichira, 2007; Ochieng, 2006; Makori, 2006; Chamayiek, 2005). It is interesting to study the influence of these macro-environmental factors on the organisational performance of Kenya Airways Ltd. It is in this light that the study sought to fill the existing research gap by carrying out a study to establish the influence of macro-environmental factors on organisational performance of airlines, with special focus on Kenya Airways.

Objectives of the Study

The general objective of the study was to establish the influence of macro-environmental factors on organisational performance of Kenya Airways Limited. The study was guided by the following specific objectives;

i. To examine the influence of political and legal factors on the organisational performance of Kenya Airways Limited.

ii. To establish the influence of economic factors on the organisational performance of Kenya Airways Limited.

iii. To determine the influence of technological factors on the organisational performance of Kenya Airways Limited.

iv. To examine the influence of social factors on the organisational performance of Kenya Airways Limited.

Theoretical Framework

The theoretical framework helps to make logical sense of the relationship of the variables and factors that have been deemed relevant to the problem. It provides definitions of relationships between all the variables so that the theorized relationship between them can be understood. The theoretical framework in this study was at three theories namely environment-dependence theory of organisations, the resource based view of the firm and the knowledge based view of the firm.

Open Systems Theory of Organizations

Open systems theory was developed after World War II in reaction to earlier theories of organizations, some of which included human relations perspective of Elton Mayo and the administrative theories of Henri Fayol, which treated the organization largely as a self-contained entity. Organizations are environment-serving, such that they cannot completely control their own behavior and are influenced in part by external forces (Ansoff & McDonnell, 2010). The open system theory recognizes that organizations exist in the context of a larger environment that affects how the organization performs and in turn is affected by how the organization interacts with it. The organizational environment is the set of forces surrounding an organization that have the potential to affect the way it operates (Davis & Powell, 2012). Organizations are ecological entities that have mutual relations with other entities in their environment where they operate as open systems and rely on their environment for their input and market for their end products.

The Resource Based View of the Firm (RBV)

The RBV of the firm is a theory that has been explored in the academic literature as a means of explaining competitive advantage and, in turn, superior performance amongst firms. According to Barney (1991), a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors. This competitive advantage is sustainable if the advantage resists erosion by competitor behaviour (Bharadwaj *et al.*, 1993). Fahy's (2000) model demonstrates the relationship between the firm's key resources and the role of management in converting these resources into positions of sustainable competitive advantage, leading to superior performance in the marketplace. The model highlights the firm as a unique collection of resources and capabilities, some of which possess the particular characteristics of value, barriers to duplication and appropriability.

The RBV differs from other explanations of competitive advantage in seeking internal reasons for superior firm performance. For example, the source of economic rent according to industrial organization economics emanates from external influences such as industry structure, government intervention, collusive arrangements and revolutionary innovations, whereas in the RBV the contention is that the possession of such key resources and their effective development and deployment provide a unique synthesis of elements that allows the firm to achieve and sustain competitive advantage (Fahy, 2000).

Contingency Theory

Contingency theories are a class of behavioral theories that basically reject "the one best way" approach to management and organizational structure. Fiedler, (1964) stated that the structural and management styles adopted are dependent (contingent) on the situational (contextual) variables facing the organization. The contingency theories relate to how the organizational structure adjusts to fit with both the internal environment such as work technology and the external environment such as economic or political/legal. Contingency means that one thing depends upon another thing or that one characteristic depends upon another characteristic (Ansoff & McDonnell, 2010).

The most efficient organizational structure may be contingent upon the size, technology or strategy and since organizations are open systems, its environment. The main contingency variables are: Environment, Employees, Technology, Size, Strategy, Culture and Growth. In a summary form the following are the structural and management styles relationship with each of the above contextual variables (Davis & Powell, 2012). Contingency theories are grouped into theories of decision making and theories of leadership. They include Fiedler's Contingency Theory, Hersey & Blanchard's Situational Theory and Vroom and Yetton's Decision Participation Contingency Theory.

Conceptual Framework

A concept is an image or symbolic representation of an abstract idea (Wisher, Gina 2008). A conceptual framework describes abstract logical structure of meaning that guide the development of the study (Fink, 2005). It is based on the identification of key concepts and relationships among variables. The independent variables in this study include political, economic, technological and legal factors. The dependent variable is financial performance. The framework is mainly guided by the environment-dependence theory of organizations. Following is the researcher's conceptualization of the relationship between the independent and the dependent variables as presented in Figure 1.

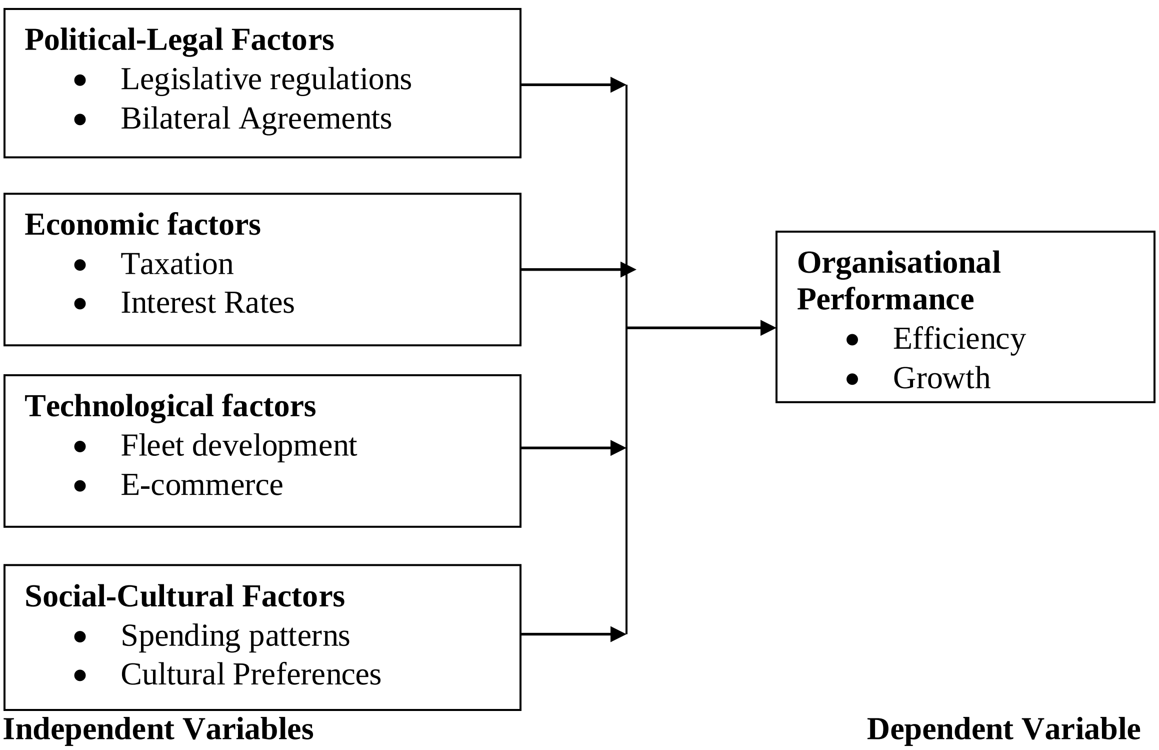

Figure 1: Conceptual Framework

Research Methodology

Descriptive research design is used in cases where the researcher expected to have the target group explain or describe certain issues about important variables of the study. This research adopted a descriptive research design where the population of interest were the employees of Kenya Airways who were visited. The design is deemed appropriate because the main interest was to explore the viable relationship and describe how the factors support matters under investigation. Descriptive design provided quantitative data from cross section of the chosen population.

The target population of this study was staff working in Finance Department of Kenya Airways. The population characteristics are as summarized in the table below.

Table 1: Target population

Category	Population	Percentage
Top Management	26	10.6
Middle level management	99	40.4
Low level Staff	120	49.0
Total	**245**	100

Source: HRM department KQ (2016)

A sample of 30% from within each group in proportions that each group bear to the population as a whole was taken using stratified random sample which gave each item in the population an equal probability of being selected. Seventy-four respondents were selected to represent a population of 245 possible respondents using stratified random sampling by taking 30% of the target population in each stratum. Random selection was determined objectively by means of random number tables.

Table 2: Sample of the Study

Category	Population	Proportion	Sample
Top Management	26	0.3	8
Middle level management	99	0.3	30
Low level Staff	120	0.3	36
Total	**245**	**0.3**	74

The researcher used a questionnaire as primary data collection instrument. The questionnaire was designed to give a brief introduction of macro environment. The questionnaire was tried out. A content analysis and descriptive analysis were employed. The content analysis was used to analyse the respondents' views about the influence of macro-environmental factors on organisational performance of airlines. The quantitative data was coded to enable the responses to be grouped into various categories. Data was grouped into frequency distribution tables to indicate variable values and number of occurrences in terms of frequency. The organised data was interpreted on account of concurrence and standard deviation to objectives using assistance of computer packages especially SPSS and Microsoft Excel to communicate research findings. Tables and other graphical presentations such as bar charts, histogram, grouped frequency distributions and pie charts as appropriate were used to present the data collected for ease of understanding and analysis. A multiple regression was used to measure the quantitative data and was analysed using SPSS tool.

Data Analysis, Results And Discussion

Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted a sample size of 74 respondents from which 70 filled in and returned the questionnaires making a response rate of 94.6%. This response rate was satisfactory to make conclusions for the study. The response rate was representative. According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was considered to be excellent.

Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sample of 20 respondents from target population. Reliability analysis was subsequently done using Cronbach's Alpha which measured the internal consistency by establishing if certain item within a scale measures the same construct.

Table 3: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Political and legal factors	0.824	4
Economic factors	0.820	4
Technological factors	0.780	5
Social factors	0.812	3

Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. The table shows that Political and legal factors had the highest reliability (α= 0.824), followed by economic factors (α=0. 820), social factors (α=0. 812) and technological factors (α=0. 780). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Political and Legal Factors

Table 4: Political and legal factors and organisational performance of Kenya Airways

Statement	Mean	Std deviation
Bilateral air service agreements have an influence on the organisational performance of Kenya Airways.	4.21	0.98
KQ's role in ICAO is very pivotal in ensuring the airlines key issues are addressed.	4.51	1.25
Trade barriers aim to protect a country's own production from foreign firms.	4.46	1.19
Most countries are not friendly to foreign airlines operating into their territories.	4.53	1.41

On the respondent's level of agreement on statements relating to the effect of political and legal factors on organizational performance of Kenya Airways Limited. The study found that majority of the respondent agreed that most countries are not friendly to foreign airlines operating into their territories as shown by a mean of 4.53, KQ's role in ICAO is very pivotal in ensuring the airlines key issues are addressed as shown by a mean of 4.51, trade barriers aim to protect a country's own production from foreign firms as shown by a mean of 4.46 and lastly, bilateral air service agreements have an influence on the organizational performance of Kenya Airways as shown by a mean of 4.21. The study establishes that political and legal factors affect the organisational performance of Kenya Airways Limited, through unfavorable legislation and political volatility. These findings were in line with the findings of O'Connor (2000) found that political inputs are most likely to happen in branches that affects certain political goals, such as native access to national resources, defense and employment. Cheverton (2004) established that government actions are together with suppliers and customers part of the business process. Some kind of legislation can also belong under either political or legal forces depending on its nature and local circumstances. According to Yadin (2002) legislation is used to restrict for example marketing activities, particularly in industrialized countries.

Economic Factors

Table 5: Effect of economic factors on organisational performance

Statement	Mean	Std deviation
Interest rate fluctuations have strong effects on the global market.	4.36	1.09
Increase in interest rates will affect the amount on long term borrowings that Kenya Airways can enter into.	4.39	1.11
Taxation has a huge impact on the organizational performance of Kenya	4.31	1.03

Airways.		
The government has a role to play when to protect local industries when passing legislation in regards to taxation.	4.60	1.36

On the respondent's level of agreement on statements relating to the effect of economic factors on organizational performance of Kenya Airways Limited. The study found that majority of the respondent agreed that the government has a role to play when to protect local industries when passing legislation in regards to taxation as shown by a mean of 4.60, increase in interest rates will affect the amount on long term borrowings that Kenya Airways can enter into as shown by a mean of 4.39, interest rate fluctuations have strong effects on the global market as shown by a mean of 4.36, taxation has a huge impact on the organizational performance of Kenya Airways as shown by a mean of 4.31. The study established that economic factors affect the organisational performance of Kenya Airways Limited, through taxation, interest rate fluctuation and foreign exchange rate volatility. These findings were in line with the findings of Yadin (2002), who found that interest rate fluctuations, national taxation, raw material prices and currency are forces that have strong effects on the global market. O'Connor (2000) revealed that other economic forces are stock market values, business cycles, inflation and GDP. The effect is significant talking when about economic forces, size of products and markets as well as the size of the GDP plays an important role in performance of organization in the country. According to Root (2008), taxation has a huge impact on the performance of airlines. An interest rate is a price that relates present claims on resources relative to future claims on resources. Interest rate is the price a borrower pays for the use of money they borrow from a lender or fee paid on borrowed assets (Crowley, 2007). KQ's exposure to market risk due to changes in interest rates primarily relates to its cash deposits and borrowings.

Technological Factors

Table 6: Effect of technological factors on organisational performance

Statement	Mean	Std Deviation
Fleet Development affects the organisational performance of Kenya Airways.	4.06	0.93
Passengers are attracted to modern aircrafts.	4.07	1.03
E-commerce as a sales channel affects the organisational performance of Kenya Airways.	4.21	0.94
Kenya Airways has put mechanisms to drive online sales.	4.71	1.18
Improved technology on information systems allow managers to take a much more analytic view of their businesses than before the advent of such systems	4.30	1.02

On the respondent's level of agreement on statements relating to the effect of technological factors on organizational performance of Kenya Airways Limited. The study found that majority of the respondent agreed that Kenya Airways has put mechanisms to drive online sales as shown by a mean of 4.71, improved technology on information systems allow managers to take a much more analytic view of their businesses than before the advent of such systems as shown by a mean of 4.30, e-commerce as a sales channel affects the organizational performance of Kenya Airways as shown by a mean of 4.21, passengers are attracted to modern aircrafts as shown by a mean of 4.07, fleet Development affects the organizational performance of Kenya Airways as shown by a mean of 4.06. The study established that technological factors affect the organisational performance of Kenya Airways Limited, through change in technologies, new technologies and creation of competitiveness through information technology. The findings of the study were in line with the findings of Kessides (2004) found that technological advancement has been the driving factor for improving airlines' operational efficiency. Airlines have been able to reduce costs and improve operations by using advanced aircraft engine technology, IT solutions, and mobile technology. Technology has created better connectivity and enhanced passengers' travel experience. Technological factors that will be studied are fleet development and e-commerce. Kenya Airways recent fleet renewal program will mean reduced fuel consumption which directly improves the airlines performance. E-commerce as sales channel has shown major improvements as result of various initiatives that have been put in place to drive online sales e.g PayPal. Kenya Airways has also partnered with Safaricom Ltd to enable its passengers to redeem bonga points for air tickets.

Social Factors

Table 7: Effect of legal factors on organisational performance

Statement	**Mean**	**Std deviation**
Businesses should take into consideration the culture of its customers when coming up with business policies and strategies.	4.66	1.48
The economy of a country affects the spending patterns of its citizens.	4.49	1.24
Passengers are attracted to airlines which are sensitive to their culture.	4.20	1.03

On the respondent's level of agreement on statements relating to of legal factors on organizational performance of Kenya Airways Limited. The study found that majority of the respondent agreed that Businesses should take into consideration the culture of its customers when coming up with business policies and strategies as shown by a mean of 4.66, the economy of a country affects the spending patterns of its citizens as shown by a mean of 4.49, passengers are attracted to airlines which are sensitive to their culture as shown by a mean of 4.20. The study established that social factors affect the organisational performance of Kenya Airways Limited, through changes in demographic factors, social class and culture. The finding of the study concurs with the findings of Holloway (2012), who found that ssocial factors have a profound impact on businesses, as well as the overall marketplace. Airline companies alone have had to spend a great deal of time and money revising their policies, procedures and prices to accommodate the ever-changing influences of their customers over the years. Some travellers choose airline entirely, or in large parts, by the price of the ticket. Kenya Airways has had to alter its pricing and promotion strategies so as to meet the needs of its consumers. It launched a low cost subsidiary- Jambo Jet, in April 2014 to accommodate middle class individuals and tourists. This has enabled it to compete with other airlines, such as Fly540, Rwanda Air and Air Uganda. thus complimenting Kenya Airways operations in the domestic market (KQ Annual Report, 2014).

Regression Analysis

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.621	.604	.06210

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings, the value of adjusted R squared was 0.604 an indication that there was variation of 60.4% on organization performance of Kenya Airways due to changes in political and legal factors, economic factors, technological factors and social factors at 95% confidence interval. This shows that 60.4% changes on organization performance of Kenya Airways could be accounted for by changes in political and legal factors, economic factors, technological factors and social factors. R is the correlation coefficient which shows the relationship between the study variables. From the findings, the study found that there was a strong positive relationship between the study variables as shown by 0.788.

Table 9: Analysis of Variance

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Residual	2.844	4	0.711	4.903	.001[b]
	Regression	10.875	65	0.145		
	Total	13.719	69			

From the ANOVA statistics, the processed data, which is the population parameters, had a significance level of 0.01 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance (p-value) is less than 5%. The calculated value was greater than the critical value (2.493<4.903) an indication that political and legal factors, economic factors, technological factors and social factors significantly affect organization performance of Kenya Airways. The significance value was less than 0.05, an indication that the model was statistically significant.

Table 10: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**Constant**	**1.445**	**0.453**		**3.190**	**.002**
	Political and legal factors	-0.421	0.145	-.297	-2.903	.003
	Economic factors	-0.486	0.159	-.131	-3.057	.004
	Technological factors	0.532	0.197	.014	2.701	.005
	Social factors	0.499	0.174	.212	2.868	.001

From the data in the above table the established regression equation was

$Y = 1.445 - 0.421 X_1 - 0.486 X_2 + 0.532 X_3 + 0.499 X_4$

From the above regression equation, it was revealed that holding political and legal factors, economic factors, technological factors and social factors to a constant zero, organization performance would be at 1.445. The results on table above reveal that political and legal had a significant coefficient (B= -0.421, p value=0.003). This implies that political and legal had negative significant effect organization performance of Kenya Airways. The finding of the study on table above reveal that economic factors had a significant coefficient (B= - 0.486, p value=0.004). This implies that economic factors had negative significant effect on organization performance of Kenya Airways. The findings revealed that technological factors had a significant coefficient (B= 0.532, p value=0.005). This implies that technological factors had positive significant effect on organization performance of Kenya Airways. The study finding further revealed that social factors had a significant coefficient (B= 0.499, p value=0.001). This implies that social factors had positive significant effect on organization performance of Kenya Airways.

Conclusion

The study established that political and legal factors affect the organisational performance of Kenya Airways Limited. The study found that most countries are not friendly to foreign airlines operating into their territories, KQ's role in ICAO is very pivotal in ensuring the airlines key issues are addressed, Trade barriers aim to protect a country's own production from foreign firms and lastly, Bilateral air service agreements have an influence on the organisational performance of Kenya Airways. From the finding the study concludes that political and legal factors influence the organisational performance of Kenya Airways Limited.

The study established economic factors on organisational performance of Kenya Airways Limited. The study further established that the government has a role to play when to protect local industries when passing legislation in regards to taxation, interest rate fluctuations have strong effects on the global market and taxation has a huge impact on the organisational performance of Kenya Airways. The study concludes that economic factors influence organisational performance of Kenya Airways Limited.

The study revealed that technological factors affect organisational performance of Kenya Airways Limited. The study also established that Kenya Airways has put mechanisms to drive online sales, improved technology on information systems, e-commerce as a sales channel affects the organisational performance of Kenya Airways, passengers are attracted to modern aircrafts and fleet development affects the organisational performance of Kenya Airways. The study concludes that technological factors influence the organisational performance of Kenya Airways Limited.

The study found that social factors affect the organisational performance of Kenya Airways Limited. The study also established that hat businesses should take into consideration the culture of its customers when coming up with business policies and strategies, the economy of a country affects the spending patterns of its citizens and passengers are attracted to airlines which are sensitive to their culture. From the findings the study concludes that social factors influence the organisational performance of Kenya Airways Limited.

Recommendations

The study recommends that there is need for the government to develop policy framework that will protect local industries from political and legal influence as the study found that political and legal factors affect the organisational performance of Kenya Airways Limited.
The study recommends that there is need for government and various policy makers to put in place policies that will improve the economic condition surrounding the airline industries as the study established economic factors on organisational performance of Kenya Airways Limited.

There is need for the management of Kenya Airways to adopt modern technologies in the airline industries, this will help in making them competitive and thus improving their performance as the study revealed that technological factors affects organisational performance of Kenya Airways Limited.

There is need for the management of Kenya Airways to align their product and service in line with the changes in social environment, this will help to improve their performance as the study revealed that social factors affect the organisational performance of Kenya Airways Limited.

References

Ansoff, H.I., & McDonnell, E.J. (2010). *Implanting strategic management*. New York, NY: Prentice-Hall.

Barney, J.B. (1991). Strategic factor markets, expectations, luck, and business strategy. Management Science, 42(10), 1231-1241.

Barney, J.B. (2001). Is the resource-based "view" a useful perspective for strategic management research? Yes", *Academy of Management Review*, (26),1, 41-56.

Bayode, O. B & Adebola, O. A. (2012). Strategic Environmental Scanning and Organization Performance in a Competitive Business Environment. *Economic Insights – Trends and Challenges*. 64(1), 24-34.

Bharadwaj, S.G., Varadarajan, P.R., Fahy, J. (1993). "Sustainable competitive advantage in service industries: a conceptual model and research propositions". *Journal of Marketing, 57(2), 83–99.*

Castrogiovanni (2001). "Environmental munificence: A theoretical assessment." Academy of Management Review **16**(3): 542-565.

Cheverton, P. (2004). Key Marketing Skills: Strategies, Tools & Techniques for Marketing Success, 2nd ed. London: Kogan Page Ltd.

Cooper, D. R., & Schindler, P. S. (2003). Business Research Methods. New York, NY: McGraw-Hill.

Crowley, J., 2007. Interest Rate (2007). Interest Rate Spreads in English- Speaking Africa. IMF Working paper. April 2007.

Davis, G.F., & Powell, W.W. (2012). *Organization-environment relations*. In: Dunnette, M.D., & Hough, L.M. (Eds.). Handbook of industrial organizational psychology, 2nd Ed., Palo Alto, CA: Consulting Psychologists Press.

Delvin, A. S (2003). Research Methods: Planning, Conducting, and Presenting Research. Thompson Wadsworth, CA: Belmont.

de Waal, A. 2001. *Power of performance management: How leading companies create sustained value*. New York: John Wiley & Sons, Inc.

Drucker, P. 2007. *The Essential Drucker: Selections from the Management Works of Peter F. Drucke.* Butterworth-Heinemann.

Fahy, J. (2000). "The resource-based view of the firm: some stumbling-blocks on the road to understanding sustainable competitive advantage". *Journal of European Industrial Training*, 24(2), 94-104.

Friendman, W.W. (2010). *Organization-environment relations*. In: Dunnette, M.D., & Hough, L.M. (Eds.). Handbook of industrial organizational psychology, 2nd Ed., Palo Alto, CA: Consulting Psychologists Press.

Hassan, M. K., and Bashir A. H. M. (2003). Determinates of Islamic banking profitability. *Paper presented at the Economic Research Forum (ERF) 10th Annual Conference*, Marrakesh, Morrocco, 16-18 December.

Sam Holloway, Diane Martin, Emily Plant, John Schouten, and Suzanne Tilleman (2012). "From Evangelical Roots to Capitalist Returns: Market Formation From Community Beginnings" *2014 Academy of Marketing Science 17th Biennial World Marketing Congress, ESAN, Lima, Peru.*

Hough, J.R., & White, M.A. (2003). Environmental dynamism and strategic decision making rationality: an examination at the decision level. *Strategic Management Journal, 24(3),* 481-489.

ICAO, (2006). Convention on International Civil Aviation Doc 7300 Ninth Edition ICAO Montreal Canada.

Illo, A.D., (2012). The effect of Macroeconomic Factors on Financial Performance of Commercial Banks in Kenya. Unpublished MSC project, University of Nairobi, 2012.

John, Kose, Lubomir Litov, and Bernard Yeung, (2008). "Corporate Governance and Risk-Taking," *Journal of Finance*, 63,1679-728.

IATA, Retrieved from https://www.kenya-airways.com/global/About_Kenya_Airways/Investor_Information/Investor_News/

IATA (2015), Industry Economic Performance. Retrieved from http://www.iata.org/publications/economics/Pages/industry-performance.aspx

Johnson, G and Scholes, K (2007). Exploring Corporate Strategy, 7th edition. Harlow, US: Financial Times Prentice Hall.

Kakazoukis, C. (2011). How macro environmental forces affect business buying behavior after a recession: A case study of the second hand truck business, *Unpublished MBA Thesis*. Blekinge Institute of Technology.

Kessides, I. (2004). Reforming Infrastructure: Privatization, Regulation, and Competition. Washington, USA: Oxford University Press. Retrieved: 20th August 2015.

King, A. and Zeithaml, C. (2003). Measuring organizational knowledge: a conceptual and methodological framework. *Strategic Management Journal*, 24, 763-772.

Kombo, D. & Tromp, L. (2009). *Proposal and Thesis Writing; An Introduction*. Nairobi: Pauline Publications Africa.

Kothari, C. R. (2009). *Research Methodology Methods and Techniques*, Second Revised Edition, New Delhi: New Age International Publishers.

Kothari, C.R (2006). *Research Methodology: Methods and techniques*, (1st Ed), New Delhi: New Age International Publishers.

Kotler, P. & Armstrong, G. (2000). *Principles of Marketing*, Ninth Edition, Prentice-Hall, Inc., Upper Saddle River, New Jersey 07458.

KQ 2013 Annual Report (2014, September). Retrieved from https://www.kenya-airways.com/global/About_Kenya_Airways/Investor_Information/Investor_News/

KQ 2014 Annual Report (2015, September). Retrieved from https://www.kenya-airways.com/global/About_Kenya_Airways/Investor_Information/Investor_News/

Leonidou, L. (2004). An analysis of the barriers hindering small business export development. *Journal of small business management*, 42(3), 279-302.

Lynch, R. (2003). *Corporate strategy*. 3rd Ed. New York: Prentice-Hall.

Miles, R.E. & Snow, C.C. (2008). *Organizational Strategy, Structure, and Processes*. New York, NY: McGraw-Hill.

Mintzberg, H., Lampel, J., Quinn, J. B., and Ghosal, S., (2012) *The Strategy Process: Concepts, Contexts, Cases* (4th ed). Essex: Pearson.

Mitchell, J.R., Shepherd, D.A., & Sharfman, M.P. (2011). Erratic strategic decisions: when and why managers are inconsistent in strategic decision making. *Strategic Management Journal, 32*, 683-704.

Muchiri, H.G. (2012). The impact of macroeconomic variables on the performance of the Nairobi securities exchange. Unpublished MBA project, University of Nairobi, 2012.

Mugenda, O. & Mugenda, A. (2008). *Research Methods; Quantitative and Qualitative Approaches*. Nairobi: Acts Press.

Olukayode, E.M. & Akinwande, A. A. (2009). Does Macroeconomic indicators exert shock on the Nigerian Capital Market? MPRA paper No. 17917 posted 17 October 2009/ 03:36.

Omondi, E.M.A. (2006). Competitive Strategies Adopted by Airlines in Kenya. Unpublished MSC project, University of Nairobi, 2006.

Pearce, J.A., & Robinson, R.B. (2011). *Strategic management: formulation, implementation and control.* 12th Edition, Singapore: McGraw-Hill.

Porter, M.E. (1998). Competitive Advantage: Creating and Sustaining Superior Performance. New York, US: The Free Press.

Porter, M.E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. (pp.35-40). New York, NY: Free Press.

Rao, S.R. (2008). Organizational environment. Citeman Network. www.citeman.com/3952 organizational environment.html. Retrieved on 16th August 2015.

Robert B. Carton, Charles W. Hofer, (2006). Measuring Organizational Performance: Metrics for Entrepreneurship and Strategic Management Research, Edward Elgar Publishing Limited.

Root, R. (2008). Entry Strategies for International Markets – revised and expanded. San Francisco, US: Jossey-Bass.

Simon Cuiri (2014, August 28). Kenya Airways welcomes VAT reprieve. Retrieved from http://www.businessdailyafrica.com/Corporate-News/Kenya-Airways-welcomes-VAT-reprieve/-/539550/2433852/-/9vxu25z/-/index.html

Voiculet, A. Belu, N. Parpandel, E, D and Rizea, I.C. (2010). The impact of external environment on organizational development strategy, Constantin Brancoveanu University.

Xi, Y., Zhang, X., & Ge, J. (2012). Replying to management challenges: integrating oriental and occidental wisdom by HeXie management theory. *Chinese Management Studies, 6*, 395-412.

Yadin, D. (2002). The international dictionary of marketing: over 2000 professional terms and techniques. London, UK: Kogan Page.