

Moderating Effect Of Leadership On The Relationship Between Adaptive Agility And Organisational Performance Of Airlines In Kenya

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Abstract

Firms globally encounter challenges of maintaining business superior performance over a long period. Most business organizations managers in today's modern age, find it difficult to constantly achieve targeted business performance due to poor strategic insight and agility to manage uncertainty in the business environment and globalization in the 21st century. Therefore, the focus of the study was to assess moderating effect of leadership on the relationship between adaptive agility and organisational performance of airlines in Kenya. The study was guided by Dynamic Capabilities Theory. This study employed explanatory research design. The target population for the study was 195 employees from airlines in Kenya. The study sample size was 131 respondents. The study employed simple random sampling technique to select respondents. The data was collected using structured questionnaires. Data analysis was done using descriptive and inferential statistics. Descriptively, data was analyzed using frequency, percentages, means, and standard deviations. Inferentially, data were analyzed using regression model. The analyzed data was presented in form of tables. The study findings revealed that leadership has a positive and significant moderating effect on the relationship between adaptive agility and the performance of airlines ($\beta=.106$; $p<0.05$). The study concluded that leadership and adaptive agility are crucial for the aviation industry's adaptability, strategic alignment, and customer feedback response. The study recommended that airlines in Kenya prioritize the development of adaptive agility and leadership to enhance their organizational performance.

Keywords: moderating effect, leadership, adaptive agility, organisational performance, airlines.

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I. Introduction

Organizational performance is a concept that involves analyzing a company's performance against its objectives and goals. It is the ability of an organization to reach its goals and optimize results. Organizational performance can be subjective and dependent on the organization, its goals, and the market (Leitão, Pereira, & Gonçalves, 2019). Organizational performance is measured for different levels of hierarchy and can be assessed for individuals, firms, and the entire organization. There are three main outcomes that are analyzed when measuring organizational performance: shareholder value performance, financial performance, and market performance. Organizational performance can be broken down into three operational terms: financial or economic performance, operational performance, and human capital performance. Measuring organizational performance is important to improve the organization based on past performance (George, Walker, & Monster, 2019). There are various ways to measure organizational performance, including financial performance, product market performance, and shareholder return. Organizational performance can be improved by unlocking strategic agility (Barauskaite, & Streimikiene, 2021).

Adaptive agility is a multifaceted organizational capability that encompasses the ability to swiftly and effectively respond to changing circumstances, seize emerging opportunities, and navigate unpredictable challenges (Attar & Abdul-Kareem, 2020). It relies on a dynamic blend of factors, including a culture of continuous learning and innovation, versatile and empowered teams, agile processes and methodologies, data-driven decision-making, and a willingness to experiment and iterate. Adaptive agility goes beyond mere responsiveness; it entails proactively anticipating shifts in the external environment, customer preferences, and market dynamics. It is not a one-size-fits-all approach but rather requires a customized strategy that aligns with an organization's specific goals and context. Ultimately, adaptive agility enables organizations to thrive in an increasingly volatile and uncertain business landscape by remaining resilient, staying competitive, and fostering sustainable growth (Ashford, Caza & Reid, 2018).

Leadership in aviation is a critical and multifaceted role that encompasses the guidance and decision-making responsibilities of individuals within the aviation industry, from pilots and air traffic controllers to executives and safety officers (Kucuk Yilmaz, 2019). Effective aviation leadership demands a commitment to

safety as the foremost priority, with a strong emphasis on meticulous planning, constant training, and adhering to strict regulatory standards. It necessitates the ability to make split-second decisions under pressure, communicate clearly and authoritatively, and lead by example in promoting a culture of accountability, teamwork, and continuous improvement. Aviation leaders must also stay current with technological advancements and industry best practices to ensure the safe and efficient operation of aircraft and aviation-related services. Their role extends beyond the cockpit or control tower to include managing resources, fostering a safety-conscious culture, and adapting to evolving challenges, such as cybersecurity threats and environmental sustainability, to ensure the sustainability and growth of the aviation sector (Damu & Majid, 2022).

Statement of the Problem

In an ideal situation, airlines in Kenya would have high levels of organisational performance, which would be reflected in their ability to provide safe, efficient, and reliable air transport services to their customers (Mutungi, 2023). They would have a strong financial position, high levels of customer satisfaction, and a good reputation in the industry.

However, currently organisational performance of airlines in Kenya is characterized by a number of challenges. The airline industry in Kenya has been facing challenges such as poor financial performance, expensive ticketing, poor investment practices, low entrepreneurial orientation, and labor relations issues (Watiri, 2022). These challenges have contributed to the poor organizational performance of airlines in Kenya. It is important to note that the COVID-19 pandemic has also had a significant impact on the airline industry worldwide, including in Kenya, which may have further affected their performance in recent years.

Kenya Airways, the major airline in Kenya, has been facing financial challenges in recent years (Wanyama, 2023). In 2022, the airline posted a record loss of \$290 million despite a 66% increase in total revenue to \$888.73 million and a 68% increase in passenger numbers to 3.7 million. The operating costs of the airline also increased by 93% in 2022 compared to the previous year. However, the airline has projected a sustainable recovery by 2024 due to the increased revenue. The air transport industry, including airlines and its supply chain, is estimated to support \$1.6 billion of GDP in Kenya (Leona, 2021). Despite the challenges, Kenya Airways recorded improved performance in 2021 compared to the previous year. Kenya Airways is certified as a 3-Star Airline for the quality of its airport and onboard product and staff service.

Studies done on Kenya Airways have not tackled the issue of the moderating effect of leadership on strategic agility and organisational performance. It is in this light that the study sought to fill the existing research gap by carrying out a study to establish moderating effect of leadership on the relationship between adaptive agility and organisational performance of airlines in Kenya.

Dynamic Capability Theory

This study was guided by Dynamic Capability Theory developed by Teece and Pisano in 1994. This theory came forth as a result of the shortcomings of the resource-based theory, which was unable to adequately explain how an organization may remain competitive in an ever-evolving commercial market. The resources that a firm may use to integrate, adapt, and rearrange its assets and processes in order to improve performance in environments that are changing quickly are referred to as its dynamic capabilities. According to Dubey et al. (2018), an organization's dynamic capability is its capacity to detect and shape opportunities that are provided in the market while also retaining its competitiveness by identifying and repurposing its resources. The dynamic capability theory is of the view that the difference in company competitiveness is rooted in how their asset position is reconfigured according to the market demands and this means that the firm's internal structures such as governance, culture and leadership will determine the success of its adaptability and agility. The dynamic capability perspective is an effort to describe how the resources that a company now has may be aligned to deal with the rapidly changing environment and, as a result, seek new possibilities in new ways that have the potential to be productive (Yeow et al., 2018).

Organizations with strong dynamic capabilities are better equipped to possess these types of agility and respond to changes in the environment. The relationship between dynamic capabilities and organizational agility has been explored in the context of risk, uncertainty, and strategy in the innovation economy. However, the dynamic capabilities theory does not factor in the need to configure these resources in a seamless manner to gain the needed competitive advantage. This is because, though the existence of internal and external resources in a firm might lead to improved performance, there is need to align these resources in a way that it will not cause sub-optimality in the organization. This theory support the adaptive agility their effect on organisational performance as moderated by leadership.

Leadership, Agility and Performance

The relationship between leadership, agility, and performance is a positive one (AlNuaimi, Singh, Ren, Budhwar & Vorobyev, 2022). Agile leaders create the conditions that allow organizations to be agile, and agility leads to better performance. By adopting these leadership practices, leaders can help their organizations become

more agile and successful. Agile leaders are able to adapt their leadership style to the needs of the situation (Akkaya & Üstgörül, 2020). They are also able to create a culture of innovation and empowerment, which are essential for agility. Agile organizations are able to quickly respond to new market conditions, customer demands, and technological innovations (Attar & Abdul-Kareem, 2020). Agile organizations are able to achieve better performance than their less agile counterparts because they are better able to adapt to change and meet the needs of their customers (Turan & Cinnioğlu, 2022).

A study by De Meuse (2019) found a strong positive relationship between Learning Agility and workplace performance, especially among leaders. Learning Agility can be a crucial skill for leaders, and it can add value in terms of improving leadership effectiveness or classifying high potentials in the workplace. Organizational agility can significantly increase organizational performance (Tripathi, Srivastava, & Sankaran, 2020). A higher level of agility translates into a competitive advantage. However, agility does not increase organizational performance just because it is a management megatrend. The determinants of organizational performance itself, such as learning speed, implementation speed, level of responsiveness, capability to cope with complexity, and problem-solving performance, need to be considered.

Successful leaders' attitudes and behaviors have a powerful effect on the organization's performance (Santoso & Yuzarion, 2021). A better understanding of the role of leadership styles in management within organizational agility is vital. Leadership, as well as organizational agility, may contribute to the organization's performance. A study by Yagmur and Myrvang (2023) found that organizational "resilience," a related adaptive capacity that correlates highly with agility, contributes significantly to business performance.

II. Methodology

This study employed explanatory research design to investigate effect of moderating effect of leadership on the relationship between strategic agility and organisational performance of airlines in Kenya. This study was conducted among 39 airlines operate and serve flights to and from 64 destinations in Nairobi county. The study targeted 195 employees. From the target population of 195, Yamane (1973) sample size formula was used to calculate the sample size of 131 respondents. The study employed simple random sampling technique to collect data from respondents using questionnaires. Data analysis were done using descriptive and inferential statistics. Descriptively, data were analyzed using frequency, percentages, means, and standard deviations. Inferentially, data were analyzed using regression analyses. The analyzed data was presented using frequency tables.

III. Results And Discussions

The study sought to evaluate the effect of adaptive agility on organizational performance of airlines in Kenya. The study findings are as shown in Table 1.

Table 1 Descriptive Results for Adaptive Agility

Statement	Mean	Sd	Skewness	Kurtosis
1. Our organization is able to quickly adapt to change.	3.56	1.38	-.690	-.887
2. Our organization is able to learn from its mistakes and improve.	3.59	1.35	-.673	-.912
3. Our organization is able to anticipate and respond to new opportunities.	3.66	1.34	-.833	-.610
4. Our organization is able to create a culture of innovation.	3.74	1.27	-.801	-.109
5. Our organization is able to build and maintain strong relationships with its stakeholders.	3.57	1.34	-.652	-.914
6. Our organization is able to effectively manage risk.	3.61	1.40	-.731	-.852
Total number of respondents (n=113)				

Source: Field Data (2023)

According to Table 1 findings revealed that majority of respondents agreed that their organization is able to quickly adapt to change (Mean=3.56 standard deviation=1.38). The study done by Duchek, (2020) reveals that more knowledge is particularly needed about organizational capabilities that constitute resilience, as well as conditions for their development. Furthermore, majority of the respondents agreed that organization is able to learn from its mistakes and improve (Mean=3.59, standard deviation=1.35). According to the study done by Dixon, (2017) clearer relationship between organizational learning and more participative forms of organizational governance is drawn, along with responsibilities that employees need to take on to enable, and partake in, collective learning.

Furthermore, the study's findings revealed that participants agreed that their organization is able to anticipate and respond to new opportunities (Mean=3.66, standard deviation=1.35). According to Williams, Gruber, Sutcliffe, Shepherd and Zhao, (2017) reveals that both crisis and resilience, including capabilities for durability, organizing and adjusting, responding to major disturbances, and a feedback loop from these experiences. Additionally, the study results revealed majority of the respondents agreed that their organization is able to create a culture of innovation (Mean=3.74, standard deviation=1.27). According to the study done by

Asbari, Purwanto, Ong, Mustikasiwi, Maesaroh, Mustofa and Andriyani, (2020) concluded that hard skills and soft skills have a positive and significant effect on the ability of lecturers' innovation, both directly and indirectly through organizational culture mediation.

The study further revealed that majority of the respondents agreed that their organization is able to build and maintain strong relationships with its stakeholders (Mean=3.57, standard deviation=1.34). According to the study done by Pratama, Suwarni and Handayani, (2022) that job satisfaction and organizational commitment partially have a negative and significant effect on turnover intention. Similarly, majority of the respondents agreed that their organization are able to effectively manage risk (Mean=3.61, standard deviation=1.40). However, the study done by Pearson and Mitroff, (2019) cultural system of the organization at large reflects the emotional/belief system of senior executive's mindsets. The study results further, revealed that all values of skewness were between -1 and +1 and Kurtosis values were between -2 and +2, indicating that skewness or kurtosis for the distribution is not outside the range of normality, so the distribution were considered normal distributed.

Inferential Analysis

The model summary illustrates the changes in R² values as indicated in Table 2.

Table 2 Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.724 ^a	.524	.506	.62281	.524	29.678	4	108	.000
2	.745 ^b	.555	.535	.60453	.032	7.630	1	107	.007

Source: Field Data (2023)

The R² value was statistically significant at p<0.000 and indicating that the explanatory power of the independent variable was 0.524. This suggests that 52.4% of the variation in performance of airlines was explained by adaptive agility. The R² change from model 1 to model 2 was 0.032 which changed from 0.524 to 0.555 and statistically significant (p<0.05). The results showed that by including leadership in the model, the number of observable variables could be increased by 3.2%, hence enhancing the model's predictive power in organizational performance of airlines.

Table 3 ANOVA results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	46.048	4	11.512	29.678	.000 ^b
Residual	41.892	108	.388		
Total	87.940	112			
Regression	48.836	5	9.767	26.726	.000 ^c
Residual	39.103	107	.365		
Total	87.940	112			

Source: Field Data (2023)

An F statistic in model 1 produced the value of 29.678 implying that the independent variables were predictors of the dependent variables (F=29.678; p< 0.05). As a result of the good fit, adaptive agility had an effect on performance of airlines when the regression was fitted. F-value of model 2 was 26.726 meaning that even after moderation, there was still a good fit of the model (F=26.726; p<0.05). As a result, statistically leadership moderates the effect of adaptive agility on performance of airlines. The outcomes of the regression coefficients are displayed in Table 4.

Table 4 Hierarchical Moderated Regression Coefficients Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.277	.323		.858	.393
	Adaptive agility	.198	.069	.215	2.893	.005
2	(Constant)	-.118	.345		-.341	.734
	Adaptive agility	.176	.067	.191	2.624	.010
	M	.179	.065	.190	2.762	.007

Source: Field Data (2023)

Table 4 showed that adaptive agility had a positive and significant effect on performance of airlines ($\beta_1=0.198$, $p<0.05$) based on regression coefficients from model 1. A regression analysis was used in model two to test if leadership has a moderating effect on the relationship between adaptive agility and performance of airlines. The p-value which was less than 0.05, indicated that the coefficient of leadership was significant.

The optimal model was;

$$Y = .277 + 0.198X_1 + 0.179Z.$$

IV. Conclusion

In conclusion, adaptive agility and leadership all play crucial roles in enabling the aviation industry to adapt to change, capitalize on opportunities, align with strategic objectives, and effectively address customer feedback. These aspects of agility are essential for improving safety, efficiency, and competitiveness within.

Based on the findings the study recommended that:

The study recommended that airlines in Kenya prioritize the development of adaptive agility and leadership to enhance their organizational performance. Effective leadership qualities, including communication skills, interpersonal skills, integrity, and visionary leadership, should also be emphasized. Implementing these recommended theoretical approaches will lead to improved safety, efficiency, and competitiveness within the aviation sector, ensuring long-term success in a rapidly changing environment.

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