

Relationship Between Turnaround Strategy And Service Quality In Kenya Airways PLC: Moderating Effects Of Adaptive Capability

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Abstract

Background: Studies show that very few airlines have succeeded in improving service quality even after implementing a turnaround strategy. The objective of this study was to determine the perceived effects of turnaround strategy on service quality among customers and employees of Kenya Airways Plc and the moderating effect of adaptive capability on this relationship. In this study, the measurement of the service quality and adaptive capability variables was guided by the indicators conceptualized in the SERQUAL model and the Dynamic Capability Theory respectively. The study targeted Kenya Airways employees and customers using quantitative research methodology involving an explanatory survey.

Materials and Methods: The respondents comprised 2,000 daily walk-in passengers who fly Kenya Airways through Jomo Kenyatta International Airport, 280 customer-facing employees and 40 senior management staff. The study used a stratified random sampling technique to ensure that each category of target respondents was fairly represented in a sample size of 402 respondents. The quantitative data analysis techniques were used.

Results: Using the direct effect model, the study results suggest that retrenchment strategy ($\beta = 0.238$; P value=0.015), repositioning strategy ($\beta = 0.313$; P value=0.017) and replacement strategy ($\beta = 0.183$; P value=0.033) have a positive direct effect on service quality. When control variables (gender and years of work experience) were introduced in the direct effect model, the three independent variables retained their significant positive effect i.e. retrenchment ($\beta = 0.239$; P value=0.015); repositioning ($\beta = 0.300$; P value=0.023) and replacement ($\beta = 0.191$; P value=0.028). The ANOVA test results for the direct effect model without control variables ($R=0.444$; $R^2=0.197$; P value=0.001) and with control variables ($R=0.458$; $R^2=0.209$; P value=0.001) were significant. When the independent variables were regressed with adaptive capability as a moderator in the hierarchical regression model, the strengths of the prediction of the relationship increased as the R statistic increased in every step after introducing each of the interaction terms (Step 1: $R=0.445$, $R^2= 0.198$, P value=0.001; Step 2: $R=0.515$, $R^2= 0.265$, P value=0.010; Step 3: $R=0.516$, $R^2= 0.267$, P value=0.015; Step 4: $R=0.518$, $R^2= 0.269$, P value=0.023;).

Conclusion: Based on these results, the study concludes that the three turnaround strategy variables namely retrenchment, repositioning and replacement have a positive direct effect on service quality and the effect is significant. Additionally, the study concludes that adaptive capability has a strengthening effect on the relationship between turnaround strategy and service quality.

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I. Introduction

In the service industry such as airlines, service quality is a critical factor that drives customer attraction, retention, and loyalty. According to Ahn and Lee (2011), among the competitive variables of an organization operating in the service industry, service quality is the most highlighted and identified as a significant competitive differentiator. It is the level of service quality that differentiates successful organizations in the service industry from their competitors, determines market share, and ultimately profitability. According to Parasuraman et al. (2002), the determination of service quality is mostly driven by customer perception and expectation before consuming a service. For a service, quality determination is different from the confirmation of the quality of tangible goods where physical characteristics play a critical role. To demonstrate this difference as an example, when purchasing goods, a customer employs many tangible attributes to judge quality; style, hardness, colour, label, packaging, taste, etc. but when purchasing services, few tangible attributes exist hence the greater reliance on customer perception.

In their conception model, Parasuraman et al. (2002), suggest various concepts, dimensions, and indicators of service quality. They posit that customer service quality is a summation of personal needs, personal desires, past experience, expected service and service disconfirmation. Past service experience drives future

expectations, and from a service adaptability perspective, this enhances the dynamic capability of an organization. In short, once a service has been consumed by a customer, a customer uses previous service experience to measure the perceived quality of service to be received in future. Therefore, service quality is a perceived judgement outcome that is derived from the customer's previous service experience, service expectation before using a new service and the value gained after using a new service (Merlin & Fareen, 2000).

Indeed, Parasuraman et al. (2002) argument is supported by other scholars who have investigated service quality in the airline industry such as Park, Robertson, and Wu (2004). According to Park, Robertson and Wu (2004), airline service quality is anchored on various types of services, but mostly ticketing service, check-in service, in-flight service, on-time departure, and entertainment. Similar to Parasuraman et al. (2002) argument, Park, Robertson and Wu (2004) posit that airline quality should be measured from the perspective of customer's perceived satisfaction concerning the level of disconfirmation of service offered by an airline.

The literature review on airline service quality suggests that in a highly competitive environment, service quality is the second most important consideration by customers after ticket cost (Jin-Woo et al., 2004). Jin-Woo et al. (2004) posit that a customer would first consider ticket price and secondly service quality before deciding whether to purchase a ticket from a particular airline. This kind of customer behavior implies that for an airline to increase its revenue and maintain profitability, it needs to offer high-quality services compared to its competitors (Liu & Lee, 2016).

II. Service Quality

The concept of service quality evolved from the expectancy disconfirmation paradigm perspective suggested by Parasuraman et al. (2009). The expectancy disconfirmation argument has two components which suffer from measurement problems; the formation of expectations about a service and the disconfirmation of those expectations through performance comparison after consuming the service. The customer expectation levels provide a baseline around which disconfirmation judgements are made. The main problem is that disconfirmation judgements are always guided by past customer experience rather than the reality of service quality (Finn & Charles, 1991).

As urged by Parasuraman et al., (2009), there is a strong correlation between service quality and high-performing organizations. Despite this argument being universally acceptable by scholars of service quality, how to effectively measure service quality is still a topic of discussion in the literature (Zeithaml et al., 2018) because service quality is mostly driven by customer perception and therefore difficult to measure as it suffers from individual biases. For this reason, Babakus et al. (1992) posit that the expectancy disconfirmation paradigm cannot universally apply to all the organizations in the service industry. To support Babakus et al. (1992) position, Brown et al. (1993) demonstrated that the expectancy disconfirmation paradigm is mostly applicable to the leisure subsector of the service industry.

III. Turnaround Strategy

Thorne (2000) defines organization turnaround as a business transformation, and as such, the concepts under business transformation are generally anchored on Porter's Generic Strategies Model (Porter, 1985). Porter (1985) posits that a turnaround strategy is a collection of high-level business decisions or initiatives by an organization aimed at returning a loss-making organization to profitability. Porter's generic strategies model, which identifies cost leadership, product differentiation and customer focus as the three basic turnaround concepts for organizations, has dominated organizational competitive strategy for the last over 30 years (Pretorius, 2008). According to Cohen et al. (2006), Porter's three concepts of generic competitive strategies (product differentiation, cost leadership and customer focus) have a bearing on influencing service quality thus customer expectations and satisfaction.

Using Porter's Generic Strategies Model as an anchor model, Boyne and Richard (2006) went further and identified four major turnaround strategy sub-concepts abbreviated as 4Rs. These are the retrenchment concept, which is anchored on Porter's cost leadership strategy, the repositioning concept, which is anchored on Porter's customer focus strategy, the replacement concept which is the cost leadership strategy by Porter (1985), and lastly, renewal concept which is anchored on product differentiation strategy as illustrated by Porter (1985).

IV. Adaptive Capability

Strategic management theorists argue that for organizations to achieve sustained competitive advantage in their respective sectors, the organizations must be willing to adapt to changes happening internally and in external environments (Ellonen et al., 2009). The emergence of the adaptive capability concept is therefore premised on this argument. According to Teece et al. (1997), the adaptive capability could be defined as; the organization's ability to learn, integrate, build, and reconfigure internal and external competencies or resources to address rapidly changing environments. Thus, through this definition, Teece et al. (1997) suggest that intangible

assets, including the knowledge and skills of the workforce, can be reconfigured into routines to create adaptive capabilities responsive to the ambiguous and unpredictable forces of the business environment.

In the available literature, adaptive capability (AC) and dynamic capability (DC) are two concepts that have been used interchangeably as they refer to almost the same organization's behavior. According to Teece et al. (1997), adaptive capability (AC) consists of organizational processes and routines that allow for the integration, learning and reconfiguration of resources through the absorption of knowledge that allows firms to achieve new resource configurations (Eisenhardt & Martin, 2000). Consequently, Teece et al. (1997) provided a DC-based view as a subset of the competencies or capabilities that allow an organization to develop new services or products to respond to changing business environments and customer needs using knowledge management capabilities.

V. Statement Of The Problem

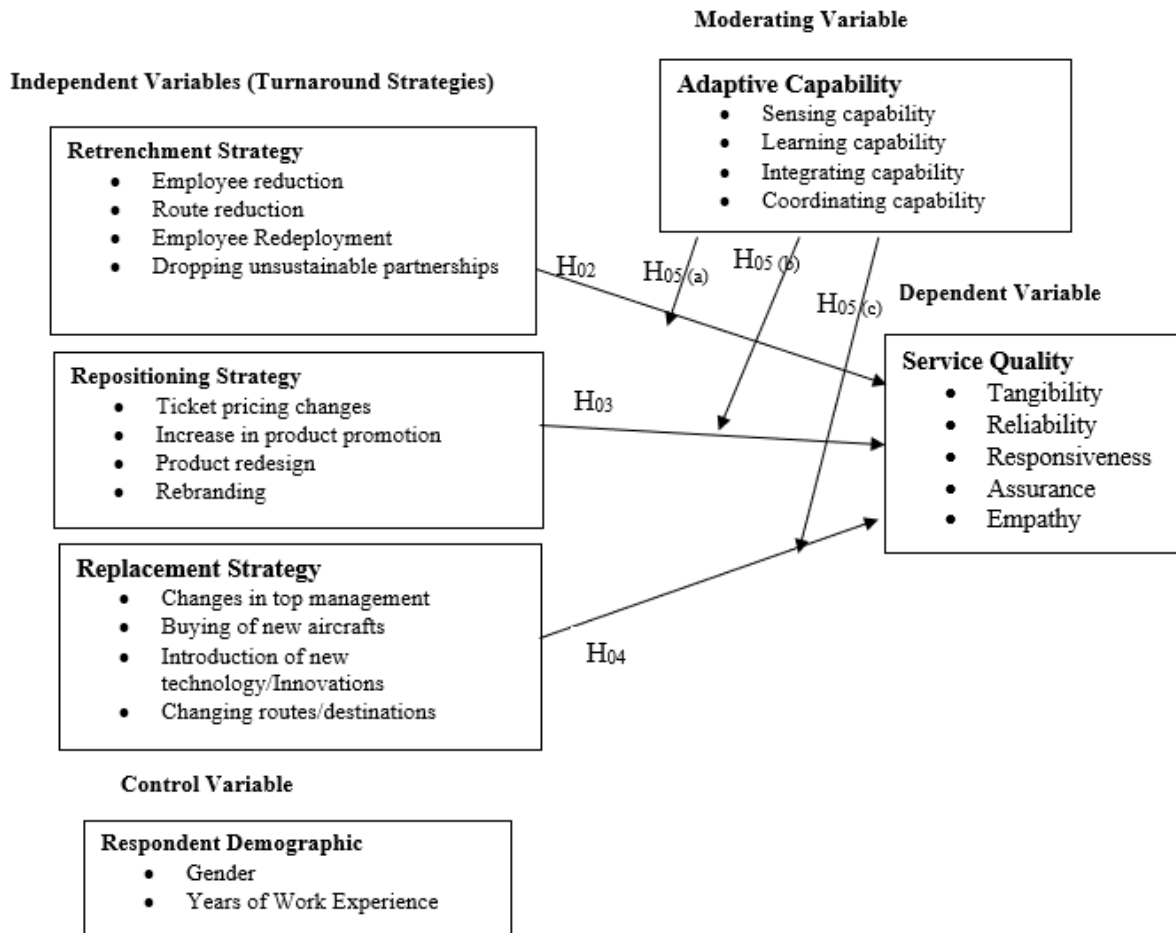
Globally and regionally in Africa, airline turnaround strategy is a common occurrence owing to the dynamic nature of the industry (Lawton et al., 2011) which calls for frequent and continuous adaptations. Structurally, the airline industry is characterized by high fixed costs (e.g., fuel, aircraft leasing, insurance, etc.), cyclical demand for its services, high government taxes, and intense competition. In this regard, airlines have used turnaround strategies in response to performance pressures and the need for adaptation (Cheng-Lung, 2008) to the ever-changing customer service expectations. According to Bittlingmayer (1990), the revenue per unit cost has declined an average of two per cent per year over the past 20 years because of intensifying competition and declining service quality in the industry. Kenya Airways, South Africa Airways, Egypt Air, and Air Mauritius have experienced dwindling fortune and currently implementing a turnaround strategy (IATA, 2022). According to Mhlanga et al. (2018), one of the challenges faced by African airline is the inability to maintain high service quality compared to competitor airlines in Europe and Asia

In the past ten years, Kenya Airways (KQ) customers have been complaining of low-quality service leading to reduced passenger numbers (Kenya Airways, 2022). Consequently, Kenya Airways has been declaring reduced revenues (sales) and increasing losses in its annual financial reports for the last ten years. Several factors have been attributed to the poor financial performance of the airline namely: high operating costs, increased competition, and poor quality of service (Kenya Airways, 2020). Poor service quality has led to poor financial performance thus forcing the government of Kenya to consider nationalizing the airline to reverse its dwindling fortunes.

In the reviewed literature, analysis of major airline turnaround strategies on airline service quality shows mixed results, suggesting that turnaround strategy may not significantly return an airline to profitability and increase operational efficiency while maintaining high service quality. Few airlines have succeeded in turnaround strategy gone back to profitability and improved their service quality (Mhlanga et al., 2018). Theoretically, the implementation of turnaround strategies is expected to lead to improved organisation performance. Therefore, the big question is, did the "Operations Pride" turnaround strategy influence airline service quality, and why is this not reflected in service quality, revenues, and profitability? Is the failure of Kenya Airways to turn around despite implementing several turnaround strategies an indication of a problem of inability to apply theoretical knowledge in solving a Kenya Airways challenge? The high frequency of unsuccessful turnaround strategies of airlines relative to service quality requires further empirical investigation of this phenomenon.

VI. Conceptual Framework

Mugenda and Mugenda (2003) define conceptual framework as a concise description of the phenomenon under study accompanied by a visual depiction of the major variables of the study. In this study, the conceptual framework investigated the perceived effect of turnaround strategy on service quality among customers and employees of Kenya Airways Plc and the influence of a moderating variable (adaptive capability) on this relationship as illustrated in Figure 1 below.



VII. Material And Methods

Given the objectives of this study, a quantitative research methodology was found to be the most appropriate because of the predefined research objectives. Cooper and Schindler (2003) posit that the quantitative explanatory research design is the most suitable where the objective is to establish a causal relationship between variables using quantitative data.

The target respondents were walk-in passengers at Jomo Kenyatta International Airport (JKIA) in Nairobi Kenya who travel on Kenya Airways Plc, Kenya Airways customer-facing employees who offer services directly to the passengers and senior managers who are involved in strategy formulation and overseeing the implementation of strategic initiatives. Kenya Airways handled a daily passenger average of 2,000 check-in passengers at JKIA. It had approximately 280 employees who serve customers at various customer touchpoints at JKIA (Kenya Airways, 2021) and approximately 40 senior managers involved in strategy formulation, implementation, and monitoring.

A mixed sampling strategy was used to obtain the desired number of target respondents. A stratified random sampling technique was used to sample customer-facing employees while the entire population of the senior management team was contacted. Judgmental sampling was used to pick walk-in passengers at JKIA during the data collection period. Slovin's (1960) formula was used to determine the sample size of the customer-facing employees. Table 1 below shows how the respondents were stratified to ensure fair representation.

Table 1: Stratification and disproportionate sampling of target respondents

Employee Category	Target Respondents	Sample Respondents	Sample as a % of 402 Respondents
Chief Officers & Senior Managers	40	40	9.95%
Sales services employees	110	59	14.68%
In-flight services employees	70	50	12.44%
Check-in services employees	60	35	8.71%
Lounge services employees	40	18	4.48%
Walk-in Passengers (customers)	2,000	200	49.75%
Total	2,320	402	100%

One type of data collection instrument was used to collect data to achieve the objective of the study. Considering that data was collected internally from employees and externally from the customers, two separate structured questionnaires using a 5-point Likert scale were used to collect data. The use of structured questionnaires using a 5-point Likert scale as a tool of data collection was guided by the fact it is the most appropriate measurement scale for quantitative research in social sciences (Babbie, 2009).

Procedure methodology

After written permission was obtained from Kenya Airways's Human Resource and informed consent obtained from each respondent, a well-designed questionnaire was used to collect the data from targeted respondents.. The questionnaire included indicators of turnaround strategy (retrenchment, repositioning and replacement), service quality (tangibility, reliability, responsiveness, assurance and empathy) and adaptive capability (sensing capability, learning capability, integrating capability, and coordinating capability)

Statistical analysis

Data was analyzed using SPSS version 26. The study used a multivariate regression model and a hierarchical regression model to analyze the data. The key statistical parameters were P value, Pearson coefficient-r; Coefficient of determination-R², t-test values; F-test values. The level $P < 0.05$ was considered as the cutoff value or significance.

Multivariate Regression Model for direct effect.

The mathematical model below was used to measure the direct effect of the independent variables on the dependent variable:

$$\text{Direct Effect Model 1: } Y_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \epsilon \dots\dots\dots$$

Hierarchical Models for Moderating Effect (Models I, II, III and IV)

The study used the hierarchical regression approach where a moderator variable is computed as a product of two variables i.e. a moderator and independent variable and later another variable is introduced in the subsequent models. The mathematical models below were used to measure the moderating effect of the moderating variables on the relationship between the independent variables and the dependent variable:

Moderating effect model I

$$YSQ_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \beta_4 X_{i4} + \beta_5 MO_i + \epsilon$$

Moderating effect model II

$$YSQ_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \beta_4 X_{i4} + \beta_5 MO_i + \beta_6 X_{i1} * MO_i + \epsilon$$

Moderating effect model III

$$YSQ_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \beta_4 X_{i4} + \beta_5 MO_i + \beta_6 X_{i1} * MO_i + \beta_7 X_{i2} * MO_i + \epsilon$$

Moderating effect model IV

$$YSQ_i = \beta_0 + \beta_1 X_{i1} + \beta_2 X_{i2} + \beta_3 X_{i3} + \beta_4 X_{i4} + \beta_5 MO_i + \beta_6 X_{i1} * MO_i + \beta_7 X_{i2} * MO_i + \beta_8 X_{i3} * MO_i$$

Where;

YSQ_i = Service Quality variable

X₁ = Retrenchment variable

X₂ = Repositioning variable

X₃ = Replacement variable

MO = Adaptive capability variable

β₀ = coefficient of intercept

i = serial number of the respondents

β_i = Unstandardized regression coefficient (Slopes coefficients)

ε_i = Error term

VIII. Results

Using descriptive analysis, a comparative analysis was done to establish the perception of service quality in Kenya Airways between customers and employees. Generally, KQ employees and customers differ in their perception of service quality in Kenya Airways as illustrated in the Table 1 below.

Table 2: Averaged Descriptive Statistics – Service Quality Variables

Service Quality Variables	Rank By Employees	Weighted Average Mean	Ranking By Customer (Weighted Mean)	Difference in Perception between Customers & Employees	Interpretation (Presence of the indicator in KQ services)
Empathy	1	3.467	5 (2.108)	1.359	Employees agree but customers disagree
Assurance	2	3.413	1 (2.512)	0.901	Employees are neutral/uncertain, but customers disagree
Tangibility	3	3.277	2 (2.372)	0.905	Employees are neutral/uncertain, but customers disagree
Responsiveness	4	3.013	3 (2.282)	0.731	Employees and customers disagree
Reliability	5	2.835	4 (2.154)	0.681	Both employees and customers disagree

Direct Effect Model: Multivariate Regression Model

$$Y_{SQi} = \beta_{0i} + \beta_{1i}(TA-RETR) + \beta_{2i}(TA-REPO) + \beta_{3i}(TA-REPL) + \epsilon_i;$$

Table 2 below shows the results of multivariate regression analysis for the direct effect model.

Table 3: Multivariate Regression Statistics of Turnaround Strategy Variables and Service Quality Variable

R Statistics				Change Statistics				P-Value
R	R Square	Adjusted R ²	Error of Estimation	Change in R ²	F-change	Df1	Df2	Sig
0.444	0.197	0.177	0.4734	0.197	9.585	3	117	0.001
Dependent Variable: Service Quality Independent Variable: Replacement Strategy; Retrenchment Strategy; Repositioning Strategy								

To discover the unique joint contribution of each of the independent variables in explaining service quality, multivariate regression analysis was undertaken. The direct effect model summarized in Table 2 above shows that the multiple regression coefficient suggests a positive linear relationship (R=0.444) i.e., 44.40% joint prediction, using all the predictors simultaneously. R-square is the amount of variance in a service quality variable in the direct effect model explained by a combination of all the turnaround strategy variables. In this study, all three independent variables jointly explain approximately 19.70% of the variance (R²=0.197) and 17.7% of the adjusted variance (adjusted R²=0.177) in relation to service quality. This result suggests that turnaround strategy variables jointly account for 19.70% of the variability of service quality in Kenya Airways.

Table 4: ANOVA Results for Turnaround Strategy and Service Quality

Statistics	Sum of Squares	Df	Mean Square	F	Sig. (P-value)
Regression	6.446	3	2.149	9.585	0.001
Residual	26.228	117	0.224		
Total	32.674	120			
Dependent Variable: Service Quality Independent Variable: Retrenchment Strategy; Repositioning Strategy; Replacement Strategy					

The ANOVA analysis (Table 3 above) shows that F (3, 120) = 9.585 and is significant as P value = 0.001 (p<0.05). This result suggests that the combination of the turnaround strategy variables has a significant joint effect on Service Quality since p=0.001 which is less than 0.05.

Table 5: Beta Coefficients of Turnaround Strategy on Service Quality

Statistic	Unstandardized B (β) Coefficient	Standardized Beta Coefficient	Std. Error	t	P-value
Intercept	1.513		0.329	4.597	0.000
Retrenchment Strategy	0.238	0.220	0.096	2.481	0.015
Repositioning Strategy	0.313	0.220	0.130	2.413	0.017
Replacement Strategy	0.183	0.186	0.085	2.154	0.033
Dependent Variable: Service Quality Independent variable: Retrenchment Strategy; Repositioning Strategy; Replacement Strategy					

The Beta Coefficients (Table 4 above) suggest that the overall direct effect model fits the data well as expressed by the unstandardized β coefficients of 0.238, 0.313, and 0.183. From the unstandardized β coefficients in Table 6 above, the t-value and the significance columns opposite each independent variable indicate whether that variable is significantly contributing to the model for predicting service quality from the whole set of

independent variables. Therefore, the retrenchment strategy positively contributed to the service quality ($\beta = 0.238$; $p=0.015 < 0.05$) and this was statistically significant. The repositioning strategy was also positively ($\beta = 0.313$; $p\text{-value} = 0.017 < 0.05$) contributing to service quality and this was significant. Also, the replacement strategy was positively contributing ($\beta = 0.183$; $p=0.033 < 0.05$) to service quality and the relationship was significant.

Moderating Effect of Adaptive Capability

The moderating effect was tested by introducing the moderating variables in the multiple regression model in four steps with each step having a separate model. Hierarchical regression helps identify the changes in the coefficient of determination (R^2) after an extra predictor variable (interaction term) is introduced to the model at every step. The moderated hierarchical regression equation was estimated and categorized into four models: Model I indicated the regression of variables with the moderator while Model II, Model III and Model IV showed the regressed interaction between the independent variables, moderator and independent variable (multiplying moderator with each independent variable). Below are the mathematical representations of the four moderating models

Moderating effect model I (Step 1)

$$Y_{SQi} = \beta_0 + \beta_{i1} X_{i1} + \beta_{i2} X_{i2} + \beta_{i3} X_{i3} + \beta_{i4} X_{i1} + \beta_{i5} MO_i + \epsilon$$

Moderating effect model II (Step 2)

$$Y_{SQi} = \beta_0 + \beta_{i1} X_{i1} + \beta_{i2} X_{i2} + \beta_{i3} X_{i3} + \beta_{i4} X_{i1} + \beta_{i5} MO_i + \beta_{i6} (X_{i1} * MO_i) + \epsilon$$

Moderating effect model III (Step 3)

$$Y_{SQi} = \beta_0 + \beta_{i1} X_{i1} + \beta_{i2} X_{i2} + \beta_{i3} X_{i3} + \beta_{i4} X_{i1} + \beta_{i5} MO_i + \beta_{i6} (X_{i1} * MO_i) + \beta_{i7} (X_{i2} * MO_i) + \epsilon$$

Moderating effect model IV (Step 4)

$$Y_{SQi} = \beta_0 + \beta_{i1} X_{i1} + \beta_{i2} X_{i2} + \beta_{i3} X_{i3} + \beta_{i4} X_{i1} + \beta_{i5} MO_i + \beta_{i6} (X_{i1} * MO_i) + \beta_{i7} (X_{i2} * MO_i) + \beta_{i8} (X_{i3} * MO_i) + \epsilon$$

The results of the hierarchical regression are shown in Table 6 below.

Table 6: Results of Moderating Effects from Hierarchical Regression Models

Variables/Statistics	Model I				Model II				Model III				Model IV			
	B (β)	Beta	t Value	P value	B (β)	Beta	t Value	P value	B (β)	Beta	t Value	P value	B (β)	Beta	t Value	P value
Constant (B ₀)	1.610		3.431	0.001	2.819		1.963	0.052	2.925		1.485	0.014	2.645		1.314	0.021
Retrenchment (X1)	0.237	0.219	2.465	0.015	2.306	2.129	3.584	0.001	2.276	2.101	3.034	0.003	2.376	2.194	3.108	0.002
Repositioning (X2)	0.310	0.219	2.378	0.019	0.331	0.233	2.636	0.010	0.399	0.281	0.456	0.049	0.470	0.331	0.533	0.028
Replacement (X3)	0.179	0.181	2.066	0.041	0.150	0.151	1.782	0.077	0.150	0.152	1.773	0.079	-	-	-0.405	0.046
Adaptative Capability (MO)	0.034	0.025	0.289	0.023	1.806	1.308	3.127	0.002	1.851	1.341	2.273	0.025	1.729	1.252	2.073	0.040
X1*MO					0.861	2.272	3.249	0.002	0.848	2.238	2.714	0.008	0.889	2.344	2.793	0.006
X2*MO									0.029	0.067	0.079	0.037	0.064	0.147	0.170	0.045
X3*MO													0.156	0.383	0.716	0.047
R		0.445				0.515				0.516				0.518		
R ²		0.198				0.265				0.267				0.269		
P-Value		0.001				0.010				0.015				0.023		

In Model 1 of the hierarchical model, all the independent variables; retrenchment ($B=0.237$; $Beta=0.219$, $P\text{ value} = 0.015$), repositioning ($B=0.310$, $Beta=0.219$, $P\text{ value} = 0.019$) and replacement ($B=0.179$, $Beta=0.18$, $P\text{ value} = 0.041$) retained their positive effects on service quality even after the introduction of the moderator. Additionally, the moderator variable returned a positive moderating effect ($B= 0.034$, $Beta = 0.025$, $P\text{ value} = 0.023$) and this effect was significant as the $P\text{ value}$ was less than 0.05. When the moderating interaction terms for each independent variable were introduced in Model 2 ($B= 0.861$; $Beta= 2.272$; $P\text{ value} = 0.002$), Model 3 ($B=0.029$; $Beta = 0.067$; $P\text{ value} = 0.037$) and Model 4 ($B=0.156$; $Beta=0.383$; $P\text{ value} = 0.047$), they returned positive β values and P values of less than 0.05 for both unstandardized and standardized data. In addition, the independent variables retrenchment, repositioning and replacement retained positive β coefficient values and their P values were less than 0.05 in Model 2, Model 3, and Model 4. Furthermore, the R and R^2 increased ($R=0.445 > 0.515 > 0.516 > 0.518$; $R^2 = 0.198 > 0.265 = 0.267 > 0.269$) with each introduction of new interaction moderating terms in the four models.

IX. Hypothesis Testing

Hypothesis H0₁ stated that there is no difference in perception of service quality between employees and the customers in Kenya Airways Plc

The results from descriptive data analysis suggest that customers' perception of service quality in Kenya Airways is lower than the perception of employees. The weighted mean for Empathy variable by the customers was 2.108 while for employees it was 3.467. For the Assurance variable, the customer's weighted mean was 2.512 while the employee's mean was 3.412. The customer's mean for Tangibility variable was 2.372 while the employees' score was 3.013. Lastly, Responsiveness and Reliability variables had similar trends as customers weighted mean scores were lower than the employees scores. The weighted average score for service quality for employees was 3.201 (Agree) while for customers, it was 2.856 (Neutral/undecided).

This difference in perception could be explained by the different perspectives and the likelihood of response bias by employees. For example, a study by Schminke, Cropanzano & Rupp (2002) established that employees may be extremely biased in responding to any measure that reflect on their performance. Results from Moers, F. (2005) suggested the same employee response bias.

Hypothesis H0₂ stated that retrenchment strategy has no statistically significant relationship with service quality in Kenya Airways Plc.

The results from data analysis suggest that retrenchment strategy has a positive relationship with service quality. In the direct effect model without control variables, the retrenchment strategy positively contributed to the service quality ($\beta = 0.238$; $p = 0.015 < 0.05$) and this was statistically significant. The same positive effect ($\beta = 0.239$; $p = 0.015 < 0.05$) was retained when the control variables were introduced in the direct effect model. This result is not consistent with results obtained from other studies such as Boyne, 2004; Evans et al. (2013); Louris & Oswald (2012) and Hassan et al. (2011). In these studies, retrenchment especially one that focuses on staff reduction was found to have a negative effect on service quality as the remaining staff feel overworked and demotivated.

Hypothesis H0₃ stated repositioning strategy has no statistically significant relationship with service quality in Kenya Airways Plc.

The results of the data analysis show that repositioning strategy has a positive effect on the service quality as the repositioning strategy was also positively contributing ($\beta = 0.313$; $p\text{-value} = 0.017 < 0.05$) to service quality and his relationship was significant. When the control variables were introduced, the same positive effect was retained ($\beta = 0.300$; $p\text{-value} = 0.023 < 0.05$). This result is very consistent with results from similar studies. For example, according to Buhalis (2000), there is a significant positive relationship between repositioning and service quality. A positive relationship was confirmed in various studies done by other scholars such as Liu (2006) and Lo et al. (2011). However, this result was consisted with findings in Chacko (1996) who posits that excessive service rebranding without having excellent customer care service may lead to higher expectations by the customers and thus greater disconfirmation

Hypothesis H0₄ stated that replacement strategy has no statistically significant relationship with service quality in Kenya Airways Plc

From the results of the data analysis, replacement strategy has a positive effect on the service quality as the replacement strategy was positively contributing ($\beta = 0.183$; $p = 0.033 < 0.05$) to service quality and the relationship was significant. When the control variables were introduced in the direct effect model, the strength and direction of the relationship was retained ($\beta = 0.191$; $p = 0.028 < 0.05$). This finding is consistent with the results of similar studies. The reviewed literature suggests a strong positive relationship between replacement strategy and service quality (Sun & Gao, 2015; Santana, Valle & Galan, 2018; Raina et al., 2003).

Hypothesis H0_{5a} stated that adaptive capability has no statistically significant moderating influence in the relationship between retrenchment strategy and service quality of Kenya Airways Plc

The results of the hierarchical regression analysis show that adaptive capability has a positive effect as the value of R statistic and R² statistic increased from 0.445 to 0.515 and from 0.198 to 0.265 with a P value of 0.001 respectively. Also, the interaction term between adaptive capability and retrenchment strategy returned a positive value ($\beta_{5a} = 0.861$; $P\text{ value} = 0.002 < 0.05$) and this moderating effect was significant. This result is consistent with studies that have investigated effect of adaptive capability on firm competitiveness. Wang & Ahmed (2004) established that leveraging knowledge in the innovation and learning process enhances organisation service quality. If retrenchment leads to loss of knowledgeable staff is implemented without improvements in organisation learning, service quality may reduce.

Hypothesis H0_{5b} stated adaptive capability has no statistically significant moderating influence in the relationship between repositioning strategy and service quality of Kenya Airways Plc

The finding of the data analysis shows that adaptive capability has a positive effect on the relationship between repositioning strategy and service quality ($\beta_{5b}=0.029$; P value=0.037<0.05). Also, the value of R statistic and R² increased from 0.515 to 0.516 and from 0.265 to 0.267 with a P value of 0.010 respectively. This result is consistent with studies that have investigated effect of adaptive capability on firm competitiveness. An example includes Powell (1992) who established that repositioning through organizational alignment increases the competitive advantage of an organisation. Gibson and Birkinshaw (2004) obtained similar results

Hypothesis H0_{5c} stated that Adaptive capability has no statistically significant moderating influence in the relationship between replacement strategy and service quality of Kenya Airways Plc;

Similarly, the results of the data analysis show that adaptive capability has a positive effect on the relationship between replacement strategy and service quality but this relationship is not significant ($\beta_{5c}=0.008$; P value = 0.278>0.05). Also, the value of R statistic and R² increased from 0.516 and 0.518 and 0.267 to 0.269 with a P value of 0.023 respectively. This result is consistent with studies that have investigated effect of adaptive capability on firm competitiveness. Sørensen & Stuart (2000) identified equipment aging and obsolescence alongside organizational innovation and learning as key to improved service quality in the service industry. Similarly, a study by Kaur & Mehta (2017) found the same results.

X. Discussions

Differential Perception of Service Quality between Employees and Customers

The hypothesis H0₁ of the study was that there is no difference in perception of service quality between employees and customers. From the descriptive analysis, customers rated all the indicators (empathy, assurance, tangibility, responsiveness and reliability) of service quality lower than the ratings by employees. The hypothesis H0₁ is therefore rejected. This study suggests that there is a differential perception of service quality between employees and customers of Kenya Airways Plc.

Effect of Retrenchment Strategy on Service Quality in Kenya Airways

Hypothesis H0₂ stated that retrenchment strategy has no statistically significant relationship with service quality in Kenya Airways Plc. The results from the direct model regression tests show that the retrenchment strategy has a positive relationship with service quality and this relationship is significant. After the introduction of control variables, the positive effect was retained and the relationship remained significant. There, the hypothesis H0₂ is rejected. This study suggests that there is a statistically significant positive relationship between retrenchment strategy and service quality in Kenya Airways Plc.

Effect of Repositioning Strategy on Service Quality in Kenya Airways

Hypothesis H0₃ of the study stated repositioning strategy has no statistically significant relationship with service quality in Kenya Airways Plc. The regression analysis shows that the repositioning strategy has a positive and significant relationship with service quality. This effect was retained even after introducing control variables in the direct model. The study therefore rejects hypothesis H0₃. This study suggests that there is a statistically significant positive relationship between retrenchment strategy and service quality in Kenya Airways Plc.

Effect of Replacement Strategy on Service Quality in Kenya Airways

Hypothesis H0₄ of the study stated that replacement strategy has no statistically significant relationship with service quality in Kenya Airways Plc. The results from tests on the direct effect model showed that the replacement strategy has a positive and significant relationship with service quality. This effect was retained after introducing control variables in the model. The study rejects H0₄.

Moderating Effect of Adaptive Capability on the Relationship between Turnaround Strategy and Service Quality in Kenya Airways

The study results show that adaptive capability has a positive moderating effect on the relationship between turnaround strategy and service quality. The strength of prediction (R-value) of the moderating model increased from 0.445 (before moderation) to 0.518 (after moderation). Also, the amount of variance (R²) in service quality explained by the turnaround strategy increased from 0.198 (before moderation) to 0.269 (after moderation). The level of significance for the models (before the introduction of the moderator and after the introduction of the moderator) were 0.001 and 0.001 respectively. The model after the introduction of a moderator was below 0.05 (P = 0.001) thus suggesting that the moderating effect of adaptive capability was significant. Hypothesis H0_{5a}, H0_{5b} and H0_{5c} are therefore rejected because study results show that adaptive capability has a moderating effect on the relationship between turnaround strategy and service quality. The study findings are

consistent with results obtained in similar studies e.g. Rangaswamy & Chaudhary (2022) as adaptive capability enhances competitiveness of a firms by acting as a mediator and may offset, through attenuation, the adverse impact of limited resources

XI. Conclusions

The regression results and other findings of this study concluded that the retrenchment strategy has a positive direct effect on service quality as the Beta (β) value was positive in all the model tests (direct effect model and hierarchical regression model) and this effect was significant. Also, the repositioning strategy had a positive effect on service quality and this effect was statistically significant. Lastly, the replacement strategy had a positive effect on Service Quality and this effect was also statistically significant as the P-value was less than 0.05. Concerning the moderating effect of adaptive capability, the study concludes that adaptive capability strengthens the direct effects of the retrenchment strategy, repositioning strategy and replacement strategy on service quality. The R-value and R² value increased after the introduction of the moderator in the models and the P-value remained below 0.05 (95% level of significance). Also, the interaction between adaptive capability and retrenchment strategy, repositioning strategy and replacement strategy returned positive values with P values of less than 0.05 in the hierarchical regression model.

XII. Recommendations

Contrary to other studies, the study findings suggest that if implemented correctly, a retrenchment strategy will improve service quality. Therefore, this study recommends that the implementation of a retrenchment strategy to cut down on costs in Kenya Airways should be accompanied by the implementation of adaptive (innovative) capability elements in the organization. This is necessary because the study results suggest that adaptive capability has a strengthening effect on the relationship between retrenchment strategy and service quality. In respect to repositioning strategy, the study findings suggest that repositioning strategy has a positive effect on service quality; therefore, the study recommends that Kenya Airways should concentrate on repositioning strategy as a dominant strategic move. Alongside implementation of repositioning strategy, Kenya Airways should implement other innovative initiatives that directly influence customer perception.

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