

RESTRUCTURING STRATEGIES AND PERFORMANCE OF AIR TRAVEL AGENCIES IN KENYA

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ABSTRACT

Air Travel Agents offer vital services that create a one stop shop for air travelers who seek comprehensive booking services for travel and destination accommodation. In the past few years, traditional Air travel agents have encountered litany of challenges which have threatened their existence through poor performance. These challenges include Pandemics that halt Air travel, unpredictable clientele and extensive service delivery demands for impulsive travelers, periodic low seasons and unexpected travel cancellations, heightened competition and fast moving technological advances. Thus, this study, sought to investigate effect of restructuring strategies on performance for Air Travel Agencies in Kenya. The study established that downsizing strategy positively impacted on enhanced performance for air travel agents. Downsizing strategy resulted in cutting down significantly on operational costs which boosted operational efficiency for air travel agents. Study also found that outsourcing wielded positive impact on performance of air travel agents, as it resulted in enhancing efficiency and speeds of service delivery. Further the study established that operational reorganization strategy contributed in enhancing performance of air travel agents through eliminating wastage in personnel time and releasing firm resources for more core business activities which boosts overall productivity. Finally, the study established that technology integration strategy impacted in boosting operational efficiency, speed of task execution, increased visibility and more customer inquiries which increased sales and boosted performance of air travel agents.

Keywords. *Downsizing Strategy, Operational Reorganization Strategy, Outsourcing Strategy Restructuring Strategy, Technology integration strategy*

1.1 Background of the study

Commercial air travel is a critical transport sector that facilitates movements across the globe for business and leisure. Air Travel Agents (ATAs) offer travel solutions which include ticketing and accommodation planning (da Silva, Costa & Moreira, 2018; Kariithi, 2015). The ATAs services present a one package product, which merges the components of Air travel tickets, commuting within destination locations and finally accommodation (Bawa et al. 2018). The ATAs effectiveness in coordinating these solutions accrue them space in a highly competitive market, where each player is offering a potential air traveler an alternative to experience more travel convenience (da Silva et al., 2015). This highlights that ATAs reliability in offering air travel solutions drives its performance, which sets it apart within competition.

Globally, air travel agents (ATAs) operate either through online systems, Online Travel Agents (OTAs) or traditionally through brick and mortar office set-up (Terblanche & Taljaard, 2018). Expedia Group and Bookings Inc. are two largest travel agencies in the world by revenue generated. Performance by both firms revenue wise, saw a sharp drop in 2020 in comparison to 2019 due to Covid-19 pandemic. Expedia revenues in 2020 dropped by 45% (Liew, 2020). In general, International Air Transport Association (IATA) estimated that in 2020, revenues dropped by over 60% for all players in the Air transport sector including the travel agents (IATA, 2020). The report by IATA, also reported session of global air travel in the height of COVID-19 pandemic in 2020, saw a 95% drop in passenger travel globally.

Across the African continent, the travel agency business has largely been dominated by players from South Africa and Egypt (World Air Travel [WAT], 2021a). In the last decade, Travel companies from South Africa and Egypt have recorded huge volumes of business in selling of Air tickets and destinations within Africa and overseas across the globe (WAT, 2021a). These established companies equally account for bigger returns in revenues, driven by strong clientele

and industry experience due to many years of service delivery. Main areas of performance amongst African ATAs include; revenue generation primarily through ticket and accommodation package sales, network value of service providers in Airlines and accommodation facilities, volume of customers both loyal and new travelers attracted (Kennedy,2020).

Types of restructuring strategies include; outsourcing, operational reorganization, downsizing and technology adoption (Dzwigol, 2019; Greenwood et al., 2020). According to Milovanović et al. (2018) operational reorganization refers to the change in primary business operations of a firm by embracing new operational structure that seeks to achieve new operational objectives. Anyona (2017) identified measures such as merging of departments and abolishing others as operational reorganization strategy. Nyameboame and Haddud (2017) defined outsourcing the initiative by organization to hire external entity or third party to perform a set of contracted specialized services which are non-core to the organization thus enabling the organization to concentrate on core operations. Outsourcing strategy involves contracting other firm to assist in services such as information technology, accounting, transport, cleaning etc, which gives the organization to fully focus on primary core operations.

Objective of the Study

The purpose of this study was to investigate the effect of organizational restructuring strategies on the performance for Air Travel Agents in Nairobi County.

LITERATURE REVIEW

Resource Based View Theory

The classical foundation of resource based view (RBV) theory centers on the organizational initiative for consolidating resources towards achieving operational efficiency making it possible to secure competitive advantage (Nason & Wiklund, 2018). The RBV model is accredited to

seminal paper on firm resources and sustained competitive advantage published by Jay Barney in 1991 (Chahal et al., 2020). Previously contributions by Edith Penrose in her 1959 work, “Theory of Growth of the Firm” is credited to inducing RBV concepts as foundation for RBV model. Further, the 1984 work of Birger Wernerfelt, titled “Resource-Based view of the Firm” is credited with enriching the value of firm resources in consolidating its market space. The RBV model is founded on firm-level administration action through effective utilization of resources to reinforce existing competitiveness (Nason & Wiklund, 2018).

The RBV is significant in this study as it underpins two operational strategies of restructuring notably; operational reorganization and downsizing, and also explains the relevance of organizational resources in driving performance. In operational reorganization, organization implements changes in its critical operations with intention of maximizing potential. In reorganization process, functions which are underperforming can be merged with others or completely axed from the organization whereas more effort and capacities directed to functions that are recording good performance. In performance, net output in value generated by a firm or organization is credited to the effectiveness in consolidating and utilization of vital resources. In outsourcing strategy, the RBV model explains the strategy of boosting efficiency through eliminating unproductive functions internally while allocated them to external experts who execute it with higher levels of efficiency. This way an organization can then focus on its more critical internal functions which results in optimizing operational productivity.

Schumpeter Theory of Innovation

The Schumpeter theory of innovation often known as Schumpeterian theory is credited to the works of Joseph Schumpeter when He introduced the concept of creative destruction through innovation in His 1942 publication, “Capitalism, Socialism and Democracy” (Prasetyo, 2019).The Schumpeterian model for economic growth is anchored on the Schumpeter theory for innovation

which advances the concept of disruption and economic growth. The theory submits that, sum productive output in a nation, industry or an organization is based on the interaction of factors of production (Rambe & Khaola, 2021). Advocates of Schumpeter theory of innovation argue that, cumulative progress in the total productive output is moderated by the volume and changes in the factors of production. The Schumpeterian theory identifies material and immaterial factors, which influence innovation and drives growth (Bodrožić & Adler, 2018). Material Schumpeterian factors include primary factor of production including; land, capital, labor and markets whereas immaterial factors include; technical knowhow and innovative capacity.

The Schumpeterian innovation model is significant in this study as it underpins the organization restructuring factor of technology integration in revitalizing operational processes towards boosting productivity. Operational reorganization strategy of restructuring involves merging and resetting some of the organizational processes with objective of boosting efficiency levels. These measures align with the principle of Schumpeterian innovative processes and procedures within an organization intended to enhance operational productivity. In addition, technology integration is another strategy which contributes towards boosting operational flexibility and efficiencies. Therefore Schumpeter theory of innovation effectively explains the role of operational reorganization and technology integration as restructuring strategies intended to boost levels of organization operational productivity.

Empirical Review

Celik and Atac (2021) carried out a study which examined the impacts of Covid-19 Pandemic on travel Agencies. In methodology, descriptive survey design was adopted leveraging on multi-structured questionnaire integrating both structured and open ended questions. The Post-COVID period was tough for most travel agents as they faced difficulties in conducting their operations as global travel industry was halted for a while. Many firms embraced cost-cutting measures such as

downsizing and restructuring. Study used multi-structured questionnaires with closed and open-ended questions, the current study will utilize only structured questionnaire with all close-ended questions.

Matthews (2021) examined outcomes of downsizing and labor cost cutting for corporate organizations. The study employed quantitative modeling in analyzing pre and post labor cost cutting consequences. Findings showed that management decision on labor cost cutting such as, downsizing, salary and remuneration benefits cuts wielded a direct effect on employee attitudes resulting in demoralization. The focus of the study was generalized in corporate environment thus cannot be sufficiently extrapolated to sector such as the air travel agents. This study employed quantitative modeling techniques for comparative analysis, the current study will utilize descriptive technique employing regression model.

Organization performance is also viewed as results gained within an organization based on integration of strategies and action plans directed towards operation quality. The study by Pambreni, Khatibi, Azam and Tham (2019) examined organizational performance within the context of Total Quality Management (TQM), which centered on SMEs in Malaysia. The study utilized survey design to evaluate organizational activities geared realization of optimal organization performance. Pambreni et al. (ibid) found that integrating strategies such as; customer focus, continuous improvement, total employee involvement and strategic focus were primary drivers of organizational performance.

The study by Jayawarna and Dissanayake (2019) examined the concept of organization performance within the perspective of operational planning. Utilizing deductive methodology, the study explored on impact of deploying performance planning as a strategy to advance organizational performance. The findings supported the role of planning as a critical strategic

maneuver necessary for realization of optimal operational success. The end-product of planning is high operational results where operational goals for an organization are effectively achieved.

Locally, a study by Ojiambo and Kinyua (2022) sought to determine whether organizational performance can be enhanced through deployment of internal development strategies. The context of the study was Kenya's prison enterprise. The findings showed that internal development attributes including, market development, market penetration, diversification and product development were critical determinants of organization performance. The study determined that organizational performance was a bi-product of effective planning. This finding is in concurrent with Jayawarna and Dissanayake (2019) who argued that planning was vital in realization of organizational which impacts on organizational performance.

Research Design

Research design is defined as the way a study is designed, that is, the method used to conduct the field survey (Lune & Berg, 2017). This study employed descriptive design. This technique enables the describing the relationship between restructuring strategies and performance of air travel agents. Descriptive research design designates the circumstances as they happen at a certain time. It therefore provides a systematic description that is factual and accurate concerning the nature and status of the subject under study. Descriptive design is applied in a study that is seeking to realize data regarding a phenomenon by fundamentally by asking questions aimed at assessing the values, attitudes, behaviors as well as the perceptions (Greener & Martelli, 2018). Therefore, the design allows the study to comprehensively and effectively realize the required data seeking to establish the influence of restructuring strategies on the performance of Air travel Agents.

Data Analysis

Inferential Analysis

The study adopted linear regression technique to analyze the influence of restructuring strategies including; downsizing, outsourcing, operational reorganization and technology integration on the performance of air travel agencies.

Model summary for Restructuring Strategies and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965 ^a	.931	.927	.13969

a. Predictors: (Constant), Technology integration, Downsizing strategy , Outsourcing Strategy , Operational reorganization strategy

Source: Study Data (2023)

The model summary output for restructuring strategies and performance of air travel agents, produced $R = .965$ and adjusted $R^2 = .927$. This implies a strong correlation ($R = 0.965$) between restructuring strategies notably; downsizing strategy, outsourcing strategy, operational reorganization strategy and technology integration strategy and performance of air travel agents. Also, the results suggested that, restructuring strategies in form of downsizing strategy, outsourcing strategy, operational reorganization strategy and technology integration strategy collectively explained 92.7% of variability in performance of air travel agents, with 7.3% of variability is attributed to factors outside downsizing strategy, outsourcing strategy, operational reorganization strategy and technology integration strategy.

ANOVA for Restructuring Strategies and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.681	4	4.170	213.730	.000 ^b
	Residual	1.229	63	.020		
	Total	17.911	67			

a. Dependent Variable: Performance of air travel agencies

b. Predictors: (Constant), Technology integration, Downsizing strategy , Outsourcing Strategy , Operational reorganization strategy

Source: Study Data (2023)

The ANOVA output for restructuring strategies and performance of air travel agents is presented in table 4.11 The results signified that the overall regression model was significant based on $F(4, 63) = 213.730, p < 0.05$. This suggest that restructuring strategies reliably predicted performance at 5% significance level.

Coefficients for Restructuring Strategies and Performance

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	p
	B	Std. Error			
(Constant)	.779	.187		4.165	.000
Downsizing strategy	.837	.049	.773	17.082	.000
Outsourcing Strategy	.550	.068	.044	8.090	.000
Operational reorganization strategy	.430	.059	.003	7.288	.000
Technology integration strategy	.275	.056	.258	4.911	.000

a. Dependent Variable: Performance of air travel agencies

Source: Study Data (2023)

Table 4.12 illustrate the results of the relationship between restructuring strategies and performance of air travel agents. The results confirmed that performance was significantly and positively predicted by downsizing strategy ($\beta = 0.837, t = 17.082, p < 0.05$), outsourcing strategy ($\beta = 0.550, t = 8.090, p < 0.05$), operational reorganization strategy ($\beta = 0.430, t = 7.288, p < 0.05$) and technology integration strategy ($\beta = 0.275, t = 4.911, p < 0.05$).

The results show that; for every unit change in downsizing strategy, results to 0.837 units change in performance of air travel agents, a unit change in outsourcing strategy results in 0.550 units change in performance of air travel agents, a unit change in operational reorganization strategy

results in 0.403 units change in performance of air travel agents and finally for every unit change in technology integration strategy results in 0.275 units change in performance of air travel agents.

This study multiple regression model is; $Y = A + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$, where; Y = performance of air travel agents, A = constant, $\beta_{1,2,3,4}$ = beta-coefficients for, downsizing strategy, outsourcing strategy, operational reorganization strategy and technology integration strategy, X_1 = downsizing strategy, X_2 = outsourcing strategy, X_3 = operational reorganization and X_4 = technology integration strategy.

Therefore, equation for the study is;

Performance of air travel agents = 0.779 + 0.837* downsizing strategy + 0.550* outsourcing strategy + 0.430* operational reorganization strategy + 0.275* technology integration strategy

Discussion of Findings

The study established that outsourcing strategy positively and significantly predicted performance. This made it possible for the firm to concentrate on core operations while leaving specialist support services to professionals which resulted in enhanced productivity and operational performance. This findings are consistent with results from studies by Asatiani et al. (2019) and Asiedu (2018), who noted that outsourcing impacted on operational speeds, increased efficiency and quality of overall productive output. Increased levels of productivity resulted in driving customer volumes, returning customers and increased business inquiries. The findings also showed that, adopting outsourcing contributed in positively in boosting work productivity due to specialist services. This supports the conclusion of Dube et al. (2021), who found that integrating specialist role for service centered firm's boosted operational efficiency.

The findings confirmed that operational reorganization strategy positively and significantly influenced performance. The study found that operational reorganization strategy was vital in ensuring that firm personnel and operational capacity is matched with market needs and current trend to ensure consistency and efficiency. This contributed in boosting productivity and maintaining positive performance trend. The findings are consistent with findings in studies by Capriello and Riboldazzi (2020), Sije, Omwenga and Iravo (2016) and Xue et al. (2019) who found that for businesses in hospitality and services sectors are required to embrace operational change and reorganization so as to match with current advances and innovations for them to survive and continue to attract customers. The studies also show that firms that are capable of undertaking operational changes makes them better prepared to adapt to advances and industry changes which impacts on performance and overall productivity.

The results indicated that technology integration strategy positively and significantly influenced performance. The outcome showed that technology integration strategy contributed in boosting operational efficiency and growth of business networks which resulted in boosting overall performance. These findings support findings in studies including; Abou-Shouk (2018), Madhukar and Sharma (2019), and Sawe (2019) who all found that technology integration contributed in boosting efficiency, quality of services, increasing business networks, impacted on enhanced visibility, and bigger market reach which resulted in increased business performance in terms of growth for customer numbers sales and business inquiries.

5.3 Conclusions

The study concludes that downsizing strategy has a significant positive effect on performance of air travel agents operations. Downsizing is a change process which ensures air travel agents deploy efficient utilization of critical firm resources. This is vital in elimination of any operational activity bringing wastage and accruing zero value. It results in cutting down of operational costs, increasing

operational efficiency through consolidating of core competencies and overall improved delivery, which is reciprocated in the market with increased business competitiveness. Also, downsizing empowered execution of core operations to achieve optimal productivity which significantly and positively affected the level of efficiency in services delivery.

The study concludes that outsourcing strategy has a significant positive effect on performance of air travel agents in Kenya. Outsourcing enables technical consolidation of core functions in air travel agencies, with critical support services contracted to specialist. This boosts efficiency through increased speeds in task execution with high level of efficiency. Improved efficiency in operations was vital in enabling air travel agents embrace consistency and increased productive output. This was key in boosting competitive edge and ensuring the firm grows its delivery portfolio by serving their niche segment with optimal consistency and quality.

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