EFFECTS OF 2007-2008 RECESSION ON THE PERFORMANCE OF AN INTERNATIONAL AVIATIONCOMPANY

CASE STUDY: KENYA AIRWAYS

MOMBASA, KENYA.

BY

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A RESEARCH PROJECT SUBMITED IN PARTIAL FULFILMENT OF THE AWARD OF A DEGREE OF BACHELOR IN INTERNATIONAL BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I, MARY OMOGO. hereby declare that this proposal is my original work and has never been submitted to any university or college for any award. Where the works of others have been cited, acknowledged has been made.

Date ......12/01/10......................................

Signature ....

APPROVAL

This is to certify that my approval has be given for this research report to be given to the school of Business and Management as a requirement for the partial fulfillment of the award of Bachelor of International Business Administration

SUPERVISOR: MR. OMARA THOMSON

SIGNATURE ....

DATE ....12-01-10..

DEDICATIONS

I would like to dedicate this research to the ALL MIGHTY GOD for his protection and exposing me to the various challenges in life and being my parent in this world, my late parents; Mrs. Omogo .A. Jane and Mr. Isaiah Omogo Were, My sweet late sisters Diana Omogo and Everline Omogo. My best friend Khalid and my cousin Phoebe and Mr. Erick Obam , not to forgetting the Mother's Union of A.C.K Makupa Mombasa for their prayer and support.

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In all fairness, there is no way I can claim sole responsibility for the successful completion of this research report.

I wish to express, and extend my sincere gratitude to all those persons, institutions and companies that assisted me academically and spiritually

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CHAPTER ONE

1.0 INRODUCTION

This chapter involved the background, statement of problem, purpose of study, research objective, research question, scope and significance of the study.

1.1 Background

In 2008-2009 much of the industrial world entered into a recession, the late 2000s recession, sparked by a financial crisis that had its origins in the reckless lending practices involving the origination and distribution of mortgage debt in the United States. Sub-prime loans in 2007 exposed other risky loans and over-inflated asset prices. With the losses mounting, panic developed in inter-bank lending. Precarious financial situation was made difficult by a sharp increase in oil and food prices. The exorbitant rise in asset prices and associated boom in economic demand is considered as a result of the extended period of easily available credit, inadequate regulation and oversight or increasing in equity. (Report business daily)

As shares and housing prices declined many large and well established investment and commercial banks in the United States and Europe scuffed huge losses and even faced bankruptcy, resulting in massive public financial assistance.

Global recession has resulted in a sharp drop in international trade, rising unemployment and slumping commodity prices. In 2008, the NBER declared that the U.S has been in recession since December 2007, and several economists expressed their concern that there is no end insight for the downturn and recovery may not appear until as late as 2011. The recession is considered the worse since the Great Depression of the 1930's.Many world's developing economies are being drugged down by the turmoil on the U.S financial markets. (Report business daily)

Recession also defined as contraction is a period of time during which the rate of growth of business activity is consistently less than its long-term or its negative it also a downturn in level of economic activity in which real GDP declines in two successive quarters (Michael Parkin 1993).

1.2 Background of case study

Kenya Airways is a global Aviation company; it's the Kenyan flag carrier airline of Kenya situated at Barclays plaza, 5th floor Nairobi. It started operations on 14th February 1977, and operates scheduled thought Africa and to Europe and the Indian subcontinent with its main base at Jomo Kenyatta international Air port Nairobi, Moi international airport in Mombasa serves as a focus city.

The global recession and high fuel prices have caused Kenya airways to post a loss before tax of Khs 5.6 billion (U.S $ 75 million) for the 2008 fiscal year. Ending 31st March, the air line's loss after tax was Ksh. 4 billion compared to the Ksh.4 billion in the same period the same year. The airline was suffering from low passenger number and a steep dropdown in cargo volume. The losses are as a result of oil per barrel, increase in cost of operation and training for more pilots. (Report Africa manager).

Hence there is a need to carryout a research on the effects of the 2007-2008 global recessions on the sales and financial performance of Kenya Airways and issue recommendation on how to survive such downturn.

1.3 Statement of problem

Weaker consumer confidence and tumbling assets prices have led to higher unemployment and deeper losses, attributed to economic credit crunch. General inability of rating agencies to spot hidden risks complemented the lack of competent risk management system able to fully grasp complex structured financial vehicle. thus there is need to investigate the effect of 2008-2009 economic downturn on firms.

1.4 Purpose of study

The purpose of the study is to examine the effect of the global recession on the performance of Kenya Airways, Aviation Company.

1.5 Objective of the study

The study was aimed at achieving the following objectives;

i. To examine the causes of the credit crunch on the performance of Kenya Airways.

ii. To examine the risk measure during the credit crunch to the performance of Kenya Airways.

iii. To asses the effect of the credit crunch on Kenya Airways.

1.6 Research question/hypothesis

i. To examine the above objective, the research was guided by the following question;

ii. What were the causes of the credit crunch on the performance of Kenya Airways?

iii. What are the risk measures during the credit crunch to the performance of Kenya Airways?

iv. What were the effects of the credit crunch to Kenya Airways?

1.7 Scope of study

This study was on the effect of the recession on the performance of Kenya Airways Aviation Company.

The research was conducted between July-August 2009 through survey of historical sales an financial performance and respondents recommendation.

This study will be conducted in Kenya Airways Mombasa, Kenya.

Data will be collected by the researcher using questionnaires, interview and document analysis technique.

1.8 Significance of the study

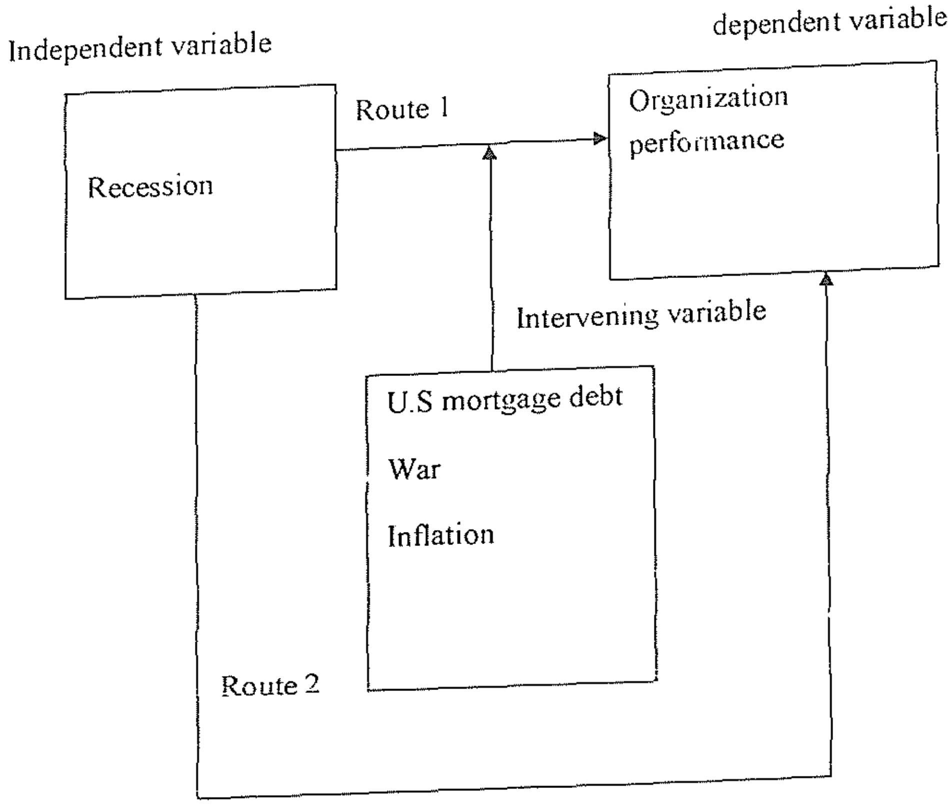
- The research findings may benefit the organization, stakeholders and shareholders and states. The research may also add more knowledge and improve skills to the researcher on the better understanding of the research.
- The researcher may help the public to evaluate the financial performance or position Kenya airways a public listed company.
- This study provides an up to date literature for academician and other interested parties for the further research prospect in the same field of this study.

1.9 Conceptual framework

Conceptual framework defines the research topic via the explanation of the variable within the topic. We have the independent variables, dependent and intervening variable. Independent determines predict, influence and control dependent variable.

Intervening variable are those which work hand in hand with independent variable to influence the dependent variable. For the purpose of the research the independent variable will be recession, dependent is the organization performance and intervening include, U.S financial markets, increasing food and oil prices, lack of competent risk management system, to name a few.

1.10 Conceptual model



Adopted from: financial crisis model 2009,(secondary data)

CHAPTER TWO

2.0 REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviews the available literature by different scholars and researchers. The literature review is about the 2009-2009 economic meltdowns and its effects on an international business aviation company (Kenya airways) and how the two are related.

The literature is sourced from text books, journals, report, newspapers and internet.

Recession also defined as contracted in a business cycle is a down-turn in the level of economic activity in which real GDP declines in two successive quarters. (John Wild 2003)

2.2 Causes of the economic down-turn

An economic recession is primarily attributed to the action taken to control the money supply in an economy. The Federal Reserve is the agency responsible for maintaining the balance between money supply, interest rates and inflation. When this delicate balance is tipped, the economy is forced to correct it self. (Antony Faiola 2008)

2.2.1 Commodity boom

The decade of the 2000s saw a global explosion in prices, focused especially in commodities and housing, marking an end to the commodities recession of 1980–2000. In 2008, the prices of many commodities, notably oil and food, rose so high as to cause genuine economic damage, threatening stagflation and a reversal of globalization. (Warwick Funnell 2009)

In January 2008, oil prices surpassed $100 a barrel for the first time, the first of many price milestones to be passed in the course of the year. In July 2008, oil peaked at $147.30 a barrel and a gallon of gasoline was more than $4 across most of the U.S.A. These high prices caused a dramatic drop in demand and prices fell below $35 a barrel at the end of 2008. Some believe that this oil price spike was the product of Peak Oil. There is concern that if the economy was to improve, oil prices might return to pre-recession levels. In the second half of 2008, the prices of most commodities fell dramatically on expectations of diminished demand in a world recession.(Repot gdpnewsrelease 2009)

2.2.2 Housing bubble

By 2007, real estate bubbles were still under way in many parts of the world, especially in the United States, United Kingdom, United Arab Emirates, Italy, Australia and New Zealand, U.S. Federal Reserve Chairman Alan Greenspan said in mid-2005 that "at a minimum, there's a little 'froth' (in the U.S. housing market) ... it's hard not to see that there are a lot of local bubbles". (The Economist magazine) writing at the same time, went further, saying "the worldwide rise in house prices is the biggest bubble in history". Real estate bubbles are (by definition of the word "bubble") followed by a price decrease (also known as a housing price crash) that can result in many owners holding negative equity (a mortgage debt higher than the current value of the property). (Report Economist magazine)

2.2.3 Inflation

In February 2008, Reuters reported that global inflation was at historic levels, and that domestic inflation was at 10–20 year highs for many nations. "Excess money supply around the globe, monetary easing by the Fed to tame financial crisis, growth surge supported by easy monetary policy in Asia, speculation in commodities, agricultural failure, rising cost of imports from China and rising demand of food and commodities in the fast growing emerging markets," have been named as possible reasons for the inflation.(Report Reuters)

In mid-2007, IMF data indicated that inflation was highest in the oil-exporting countries, largely due to the unsterilized growth of foreign exchange reserves, the term "unsterilized" referring to a lack of monetary policy operations that could offset such a foreign exchange intervention in order to maintain a country's monetary policy target. However, inflation was also growing in countries classified by the IMF as "non-oil-exporting LDCs" (Least Developed Countries) and "Developing Asia", on account of the rise in oil and food prices. (Report Reuters)

2.2.4 Debate over origins

The central debate about the origin has been focused on the respective parts played by the public monetary policy (in the US notably) and by private financial institutions practices. Some economists claim that the ultimate point of origin of the great financial crisis of 2007–2009 can be traced back to an extremely indebted US economy. The collapse of the real estate market in 2006 was the close point of origin of the crisis. The failure rates of subprime mortgages were the first symptom of a credit boom tuned to bust and of a real estate shock. But large default rates on subprime mortgages cannot account for the severity of the crisis. Rather, low-quality mortgages acted as an accelerant to the fire that spread through the entire financial system. The latter had become fragile as a result of several factors that are unique to this crisis: the transfer of assets from the balance sheets of banks to the markets, the creation of complex and opaque assets, the failure of ratings agencies to properly assess the risk of such assets, and the application of fair value accounting. (Antony Faiola 2008)

2.2.5 Subprime lending

Based on the assumption that subprime lending precipitated the crisis, some have argued that the Clinton Administration may be partially to blame, while others have pointed to the passage of the Gramm-Leach-Bliley Act by the 106th Congress, and over-leveraging by banks and investors eager to achieve high returns on capital. Some believe the roots of the crisis can be traced directly to subprime lending by Fannie Mae and Freddie Mac, which are government sponsored entities. The New York Times published an article that reported the Clinton Administration pushed for subprime lending: "Fannie Mae, the nation's biggest underwriter of home mortgages, has been under increasing pressure from the Clinton Administration to expand mortgage loans among low and moderate income people" The result was a push by the administration for greater investment, by financial institutions, into riskier loans. (Report NYT, 30th September 1999)

2.2.6 Credit creation

The crisis is as a result of the credit creation in which credit created through the policies of central banking gives rise to an artificial boom, which is inevitably followed by a bust. This perspective argues that the monetary policy of central banks creates excessive quantities of cheap credit by setting interest rates below where they would be set by a free market. This easy availability of credit inspires a bundle of malign vestments, particularly on long term projects such as housing and capital assets, and also spurs a consumption boom as incentives to save are diminished. Thus an unsustainable boom arises, characterized by malign vestments and over consumption.(Woods Thomas 2009)

The narrowing of the yield curve from 2004 and the inversion of the yield curve during 2007 resulted (with the expected 1 to 3 year delay) in a bursting of the housing bubble and a wild gyration of commodities prices as moneys flowed out of assets like housing or stocks and sought safe haven in commodities. The price of oil rose to over $140 dollars per barrel in 2008 before plunging as the financial crisis began to take hold in late 2008. (Report CNN)

2.2.7 Oil prices

Economist argued that the increase in oil prices in the period of 2007 through 2008 was a significant cause of the recession. He evaluated several different approaches to estimating the impact of oil price shocks on the economy, including some methods that had previously shown a decline in the relationship between oil price shocks and the overall economy. The decline in GDP could have been successfully predicted to almost its full extent given knowledge of the price of oil. The results imply that oil prices were entirely responsible for the recession; however, Hamilton himself acknowledged that this was probably not the case but maintained that it showed that oil price increases made a significant contribution to the downturn in economic growth. (Warwick Funnell 2009)

2.3 Effects of the recession

2.3.1 Financial markets

Investors worried about the effect of a recession in the US economy would have on the Chinese economy. Citigroup estimates due to the number of exports from China to America a one percent drop in US economic growth would lead to a 1.3 percent drop in China's growth rate.The simultaneous multiple crises affecting the US financial system in mid-September 2008 caused large falls in markets both in the US and elsewhere. Numerous indicators of risk and of investor fear (the Treasury yields, the dollar value of gold) set records.

Russian markets, already falling due to declining oil prices and political tensions with the West, fell over 10% in one day, leading to a suspension of trading,[94] while other emerging markets also exhibited losses. (Woods Funnell 2009)

2.3.2 Travel

According to Zagat's 2009 U.S. Hotels, Resorts & Spas survey Sarova hotels; business travel has decreased in the past year as a result of the recession. 30% of travelers surveyed stated they travel less for business today while only 21% of travelers stated that they travel more. Reasons for the decline in business travel include company travel policy changes, personal economics, economic uncertainty and high airline prices. Hotels are responding to the downturn by dropping rates, ramping up promotions and negotiating deals for both business travelers and tourists.(Warick Funnell2009)

2.3.3 Insurance

A February 2009 study on the main British insurers showed that most of them do not plan to raise their insurance premiums for the year 2009, in spite of the prediction of a 20% raise. However, it is expected that the capital liquidity will become an issue and determine increases, having their capital tied up in investments yielding smaller dividends, corroborated with the £644 million underwriting losses suffered in 2007.(Warwick Funnell 2009)

2.3.4 Unemployment

The International Labour Organization (ILO) predicted that at least 20 million jobs will have been lost by the end of 2009 due to the crisis — mostly in "construction, real estate, financial services, and the auto sector" — bringing world unemployment above 200 million for the first time. The number of unemployed people worldwide could increase by more than 50 million in 2009 as the global recession intensifies, the ILO has forecast.(Report Reuters 2009)

In December 2007, the U.S. unemployment rate was 4.9%. By October 2009, the unemployment rate had risen to 10.2%. A broader measure of unemployment (taking into account marginally attached workers, those employed part time for economic reasons, and discouraged workers) was 16.3% Spain's unemployment rate reached 18.7% (37% for youths) in May 2009 — the highest in the euro zone. In July 2009, fewer jobs were lost than expected, dipping the unemployment rate from 9.5% to 9.4%. Even fewer jobs were lost in August, 216,000, recorded as the lowest number of jobs since September 2008, but the unemployment rate rose to 9.7%. (Report Reuters 2009)

2.3.5 Rise in interest rates

Rise in interest rates by the European Central Bank to reach 4.5% in the last quarter of 2008 with the aim of trying to curb rampant inflation in the euro zone (close to 5%) the immediate impact on mortgages and bank loans due to increases chilling Euribor (up almost 6%); economic strangulation consequent extensive social and dramatic increase in delinquencies and embargoes banking collapse of securities (around the IBEX 10,000 points at the end of the year) and diversion of investment to fixed income and real estate.(Report Reuters)

2.4 How to deal with the recession (Paul Strebel 2008)

2.4.1 Liquidity is king

The critical role of liquidity is something that the banks have re-discovered during the current financial meltdown - admittedly a special industry in extreme circumstances. Yet no matter what the industry, if revenues drop sharply and debtors stretch out their payables, all of a sudden creditors can lose confidence and insist on immediate payment.

After 9/11 collapsed airline revenues, lack of liquidity for fuel purchases grounded Swissair in October 2001 and soon drove it into receivership. Liquidity planning is critical, based on an analysis of the payments schedule, creditor terms and debtor collectability. The liquidity plan must be stress tested to see whether it can deal with worst case scenarios. The best insurance is real cash reserves in a safe bank.

2.4.2.Reduce fixed costs and increase flexibility

The ability to rapidly scale back activity when the recessionary storm hits without incurring major losses, and then scale back up on the rebound is key to coming out ahead after the storm passes. The budget airlines, with leased fleets, highly flexible pricing and rapid response to changing market conditions, came out of the 2001/2 downturn well ahead of the slower-moving larger airlines.

2.4.3. If necessary, restructure boldly, sooner rather than later

A downturn soon reveals what parts of the business are not profitable through a full economic cycle. Hanging on to non-economic business puts strain on the profitable business, thereby diminishing its rebound potential. If restructuring is needed, it's important to move sooner before ıe markets for assets and divestments begin to freeze up. Bold decision-making is key with a ›reference for simplicity in the final business model. Aggressively scaling back its consumer inance and mortgage business in the US well before the full subprime crisis unfolded, which has llowed it to stagger its subprime write-downs over time without panicking its customers and hareholders.

:.4.4. Support critical long term partners

Smaller partners, like critical suppliers, distributors and customers, many not have the financial strength to withstand a major credit squeeze alone. If they go down, the ability of the full value chain to rebound may be severely compromised. To reduce this risk, some manufacturers have decided to offer special support to keep weak suppliers afloat until business rebounds.

Similarly, restructuring and wage cuts can undermine the morale of the organization, making it difficult for people to bounce back with full energy when demand picks up. Clarity about the critical talent needed for the long run and sharing the pain of flat or declining compensation throughout the organization, including top management, can bind people together and build valuable loyalty for the future. This is what many family businesses do to get through downturns.

2.4.5. Exploit opportunities to re-shape the competitive landscape

For those with strong balance sheets and liquidity, recessions throw up buying opportunities of a life-time at bargain prices. Acquiring talent, assets, access to markets, or whole businesses, at distressed prices, can completely change the balance of power in an industry. Bank of America's acquisition of Merrill Lynch and JPMorgan's takeover of Bear Stearns, together with the disappearance of Lehman Bros., has radically altered the power structure in the investment banking industry.

:.4.6. Leaders have to manage themselves responsibly

During difficult times the poet's admonition is critical: make sure to "keep your head when those around you are losing theirs and blaming it on you." A calm, steady hand must be visible at the top when implementing the measures needed in points 1 to 4. To retain credibility, execution must be accompanied by socio-political sensitivity.

2.4.7. Board members have to be strong sparring partners

Board members have to control the conduct of the business on behalf of the shareholders while, at the same time, supporting management in the value-creating process. In particular, during a recession, they have to ensure that management acts on points 1 through 3 to ensure the security of the business, while also encouraging management to be alert for windfall investment opportunities. This calls not so much for diversity on the board, but for board members with industry expertise, who are willing to support the CEO with difficult downsizing decisions and act as strong sparring partners to assess the desirability of potential investments.

2.5 Risk measures (African business June 2008)

i. Standardizing complex debt securities
ii. Reforming rating system
iii. Improving transparency
iv. Curbing off-balance sheet activities
v. Bolstering supervision and tightening liquidity regimes for the bank
vi. Improving financial sectors' system and regulatory oversight and rehabilitated banks with higher capitalization requirement and sound asset-quality.
vii. Absence of sub-prime mortgage market (lending is restricted strictly on 'secured terms' to creditworthy clients)

2.6 Dealing with falling sales ;(Alexander Garratt 2009)

Be positive; managers should have self-belief if they have their heads down, they won't sell anything and should not fear recession rather take it as a challenge.

Don't stop marketing; if a firm cut their adverting and marketing budget loses out in the short and long run have to maintain spending in recession hence gain markets share.

Incentive people to sell; make sure everyone in the firm appreciates the importance of selling and introduce incentive for the sales team.

Mind who you sell to; credit control becomes paramount in a recession. Switch off supply rather than continue to feed a customer who is a late payer. Link sales commission to cash so the sales force sells only to people who pay.

Do say; we are selling our way through this recession.

Don't say; it hopeless. Who is going to want to buy from us now?

2.7 Pricing in a downturn (Sandra Howgate 2009)

Don't be slash-happy; price is supposed to reflect the value of what you are offering, so indiscriminate discounts can make it seem like a cheap commodity.

Find another way; lure people with such incentives as free delivery, extended warranties and monthly instatement offers. Your pocket may take a hit, but the integrity of your prices won't be affected.

Bethe best; even if your prices could be lower, ensure clients do not feel ripped off, make your service the most personal, deliver the most prompt, and products the most reliable to add real value. Even people's trust.

Avoid a war;

Know your customers; know who is spending what and ho quickly they pay. Save your deals form partners who keep coming back, those who buy big and those who cough up early.

Shout about it; offers such as 'buy one, get one free' go down well at times when pocket are stretched. Lend your offer the right marketing muscle, and people will stick with you.

Innovate; package products with offers that are economical for customers in the long run. Think what the customer is buying no what the customer is buying not what you are selling.

2.8 How to keep staff engaged during downturn (Alexander Garrett 2009)

Show that you have a plan, people are looking to you for leadership, to be more confident, more certain than they are.

Be open but be realistic; a vacuum in communication will quickly fill up rumor and speculation. If you don't know the answer, say so, you will get credit for trying.

Do it in person; face to face communication is better when times are hard. Use your line manager- they are much neglected resources and much trusted than senior managers.

Involve your people; in good times self-managing teams play a key rule in creating engagement in bad times people still need to feel that they can make difference and that the work they are doing is meaning full. Having some input is a hedge factor in people's ownership and since of engagement. Feeling that you are listened to be a basic human need.

Show your compassion; if you have to make people redundant, demonstrate that you have done your best. Measure such as showing that you have looked at alternatives to redundancy that you have help with out placement will influence survivors, because it shows that you teat people fairly. Offering support help lines and good healthcare demonstrate your commitment to your value and help keep your employee commitment to the organization.

Redefine success; there's evidence that success that breed engagement but success measured by the usual parameter is hard to achieve in a climate where everything's doing down the tubes. Don't make people responsible for things they don't control, but create formula that should lead to success. And create targets they can't hit.

Offering recognition; whether it's through that employee-of-the-month scheme to or just a pat on the back, show people that you appreciate the discretionary effort they put in.

Keep on celebrating; applaud every small success, whether it a piece of business gained, or a member of your team winning an award or passing an exam. And why not have a party an away day or dress –up-in-school-uniform day?

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter involved the method used in attaining data, and it provides a description of the research methodology deployed in the study. They are; research design, sampling procedure, sampling instrument, procedure, data analysis and drawbacks during the study.

3.1 Research design

This study was conducted via quantitative and experimental research design. Historical design is where the researcher explores, explains and understands past performance from data already available. Experimental was concerned with identification and investigation of possible casual relationship between the two variables.

3.2 Sampling procedure

This was conducted in financial, sales and procurement department. The sample was arrived at from the target population via purposive sampling obtain information from the manager of assistant managers of these department.

3.3 Sample size and population

The sample consisted of technical managers interviews selected from Kenya airways Mombasa branch middle level management. Therefore purposive was used due to the changing trend of performance of the company as a result of the global melt down.

3.4 Data collection method

The data was collected for the purpose of the study comprised of secondary data. The methods which will be used include qualitative methods

3.5 Questionnaire

This was for the departmental manager. It was be an open ended question to the respondents. The researcher used questionnaires because it helped in collecting all completed responses within a short period of time and any clarification was made about the company.

3.6Interviews

This was used in line with the questionnaire to enable the researcher obtain the supplemented information necessary to reach the conclusion and recommendation, obtain historical information and gain control over line of questioning.

3.7 Data analysis and presentation

Data was analyzed according to the purpose of the research questions. The problem focused on the effect of the 2008-2009 global melt down on the financial and sales performance and be presented using line tables.

3.8 Limitations of the study

- Getting the cooperation of the respondent was a problem since managers were not willing to disclose information about the organization due to security purposes.
- Obtaining the relevant secondary information was a complex task to the researcher since there was lack of relevant essential books for the literature review information.
- High cost of printing, traveling, telephone call for appointment and internet access was a limiting factor.
- Interview biasness
- **3.9 How the limitations were handled**
- Included confidentiality quotes on the questionnaire ("All information will be treated with maximum confidentiality")
- Accessed adequate financing from parents.

- Acquired communication skills knowledge.
- Use information from the internet

3.10 Conclusion

Despite the above limitation, the findings of the study was not materially affected and the findings that followed in the next chapter, since it was part of the apparent knowledge gap.

CHAPTER FOUR

PRESENTATION, DISCUSSION AND ANALYSIS OF DATA

4.1 Introduction

This chapter is the presentation and discussion of findings on the study of the effects of recession on the performance of an aviation company, the case of Kenva Airways Mombasa,Kenya Quantitative and experimental research design. The discussion of the findings has been recognized especially to sewer the research questions and research objectives in presentation, the researcher used tables.

Table 1: Classification of Respondent According to the Age

Age of respondent (yrs)	Frequency (f)	Percentage (%)
18-25	11	18.33
26-33	23	38.33
34-41	17	28.33
42-49	6	10.00
50+	3	5
Total	**60**	**100**

Source: Primary data

The findings indicate that most of the respondents (38.33%) were of average age between 26-33 years, few were of age of 50+ years which is evident to 5% of respondents. The purpose of asking the ages of respondents was to determine which class of sample provided a large number of respondents.

Table 2: Classification of Respondents According to Sex

Sex	Frequency (f)	Percentage
Male	25	58.33
Female	35	41.67
Total	**60**	**100**

Source: Primary data

This is because large number of employee at Kenya Airways, Kenya Mombasa branch are female while male contain a small fraction of workers. There is no gender balance.

The findings indicate that most of respondents were male (58.33%), while female were 41.67% of total respondents.

Table 3: Classification of Respondents According to their Education Levels

Level	Frequency (f)	Percentage
Primary	6	10
'0' level	16	26.67
A' Level	14	23.33
Diploma	4	6.67
Degree and above	20	33.33
Total	**60**	**100**

Source: Primary data

The findings indicate that most of the respondents were literate which was equivalent to 90%. The purpose of asking the respondents qualification was to determine whether they would provide the required information about the effects of the recession on the aviation company..

Table 4: Classification of Respondents According to their Position with Kenya Airways

Business position	Frequency (f)	Percentage (%)
Managers	2	3.33
Employees	40	66.67
Clients/ customers	10	16.67
Others	8	13.33
Total	**60**	**100**

Source: Primary data

From the table above, the findings indicate that employees were the people who were interviewed. This was because the employees were thought on ataining the required information and the fact that it was easy to access them and recognize them since most of them were putting on Kenya Airways uniform.

Table 5: Classification of Respondents According to the Time they have been in the Business Position.

Respondents Category (years)	Frequency (f)	Percentage (%)
0-15	12	20
6-10	45	75
11+	3	5
Total	**60**	**100**

Source: Primary data

From the able above, the findings indicate that most of people interview. .been in the business with Kenya Airways between 6 years to 10 years (75%). because this group of people were easy to find though it was not as much as those from 11 years and above 50%.This group of respondents was difficult to find them because they were very busy.

Table 6: Responses on whether there are other causes of the recession

Response Category	Frequency (f)	Percentage (%)
Yes	54	90
No	6	10
Total	**60**	**100**

Source: Primary data

The table above indicate that, large number of respondent (90%) said that there are other factors that affect sales volume, from this findings it indicate implies that Kenya Airways have to also consider other factors that may affect sales volume. The finding agrees with the literature review that Other factors such as inflation increase in oil prices, housing boom, and many other affect financial and sales performance.

Table 7: Response on suggestion about ways of solving problem of falling sales reduced cargo volume and problem of increasing oil prices.

Response Category	Hedgeing	Increase advertisement	Having new routes	Others	Total
Frequency (fl	12	12	20	13	**60**
Percentage (%)	25	20	33.33	21.67	**100**

Source: primary data

From the table above, the findings indicate that respondents suggest other ways that Kenya Airways can use to solve the problem of recession, they suggest that Kenya Airways can use adverts,Hedge,have new routes and others.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusions and recommendation to the findings of the effects of the recession on the performance of Kenya Airways.

5.2 Summary

When conducting the study, the research questions and objectives were aimed at explaining whether the recession has an effect on sales and cargo volume of the aviation firms globally.The three major objectives of the study identified in chapter one was to ascertain whether the recession led to increase decrease sales and cargo volume of multinational companies. The study was successful in determining the various effect and various solusion on how to curb the problem.

This study was therefore successful in meeting the objective of providing further information to researchers in addition to far studies on the effect of the recession.

5.3 Conclusion

Advertising is the most cost effective means of mass communication and therefore multinational companies should explore this opportunity and market their goals globally to the consumers.

Sales volume in any multinational company do not necessarily increase due to advertising but there are other factors that affect sales level of any company which may include distribution strategy, price, government intervention, sales promotion, personal selling among others.

Advertising should be compared by good sales force. Weak sales force means less level of marketing which will make sales decline. There fore a company should design sales force, set sales force objectives, strategy, size and plan that will make them sell their products more.

5.4 Recommendations

1. Multinational companies should employ and train strong sales force relating to the condition of the market, within which it operates. This simply enhances an integrated marketing communication between multinational companies, their employees and their market.
2. Multinational companies should diversify its services like venture into new routes like direct routes to Middleeast where many people travel to acess business products from.
3. Startup Mpesa services for tranfer of money within East Africa for some profit.
4. Credit control alongside the risk of reduced sales numbers, credit management tends to be the next biggest issue during recessions: debtors take longer to pay, or worse, some debtors go out of business. Hence it is prudent to reassess your cash position. If you have a high percentage of sales on credit you will need to reconsider the payment terms, ensure you invoice immediately and maintain contact with those who owe you a lot of money. There is no need to panic; it is simply opportune to revisit all elements of your credit control system from invoicing, to bank overdraft facilities, to the debt collection process you have in place, to make sure that you are on top of your cash flow.
5. Run down stock as you redo your business plan, take time to review your stock position. You may want to 'restructure' your balance sheet, to reduce assets consisting of stock and debtors (accounts receivable) and increase cash/bank reserves.
6. Split share, a company should split its share prices to make it affordable hence demand increases, therefore improve its position in the stock market and also rise capital for incentives.
7. Supervise financial statements to avoid fraud and errors. Example audit financial statements.
8. Pricing in a downturn
9. Refer to literature review 2.4, 2.5, 2.6, 2.7, and 2.8.

5.5 Areas of further research

The researcher proposes the following area for further research as it can be general contribution of promotional activity and other service attribute to sales volume, effects of channels of distribution on sales volumes, effects of pricing on sales volume and how physical evidence can affect sales volume in multinational companies.

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