

Kenya airways case study essay

[Environment](#), [Air](#)



An information system refers to an arrangement of people, data processes and interfaces interacting to support and improve day-to-day business operations. Information systems should also support the problem solving and decision making needs of various levels of management as well as end users. Business information systems are the foundation for conducting business activities today. In most industries, the survival and even existence of an enterprise is difficult without extensively incorporating information technology. Information systems have thus become a crucial requirement in helping organizations operate in the global economy.

On the other hand, organizations are trying to gain a competitive advantage and efficiency by transforming themselves into digital firms where nearly all core business processes and relationships with suppliers, employees and customers are digitally enabled. Businesses today use information systems for the achievement of six major objectives: gain operational excellence, create new products, services and support new business models, promote customer/supplier intimacy, improve decision making, gain competitive advantage and for day-to-day business survival.

Business systems at any organizational level that help change the goals, products, operations, services or environmental relationships that help an organization gain a competitive advantage are known as strategic information systems. Traditional strategy models are now being modified to accommodate the impacts of digital firms and information flow. Before digital firms emerged, business strategies emphasized on head-to-head competition against other firms in the same marketplace.

Today, emphasis is increasingly on exploring, identifying and occupying new niches in the market before competitors, understanding the customer value chain better and learning faster and more deeply than competitors. In order to achieve this, enterprises have to streamline the business processes and incorporate various business systems at various management levels including operational, middle and top level. In order to maintain global relevance and compete internationally, companies and governments have adopted the use of information systems in various sectors.

Kenya as a country is rapidly evolving in terms of technology by incorporating business systems into daily business activities and communication. This high uptake of technology by firms has led to stiff competition between various enterprises. A good example is supermarkets and commercial banks that have automated all their systems to manage inventories, process transactions, record keeping and decision making. My area of interest happens to fall in use of business systems by airlines. This is a major business, in which there is stiff competition. A good example of one of the major airlines is the Kenya Airways.

How the Kenya Airways airline has successfully used Enterprise Resource Planning (ERP) systems to achieve competitive advantage. The Kenya Airways (KQ) is the flag-carrier airline of Kenya. It has been in operation since 1977 and has since grown to operate more intra-Africa flights than any other African airline. In addition, the carrier has flights to Middle Eastern cities, Europe, Asia and the Far East. KQ's head offices are based in

Embakasi, Nairobi and its hub at the nearby Jomo Kenyatta International Airport (JKIA).

In terms of competition and influence, the Kenya Airways has expanded its influence in the Kenyan market by aligning with small carriers as it seeks to build its home base Nairobi as a continental hub. This includes promotion of greater cross-border cooperation and fostering economic development among nations. As the fourth largest airline carrier in Africa and the continent's only member of the SkyTeam alliance, the company is focusing on southern African airlines and has already brought Air Botswana, Air Mozambique, Air Malawi and TAAG Angola Airlines into the fold.

In December 2012, Kenya Airways and Rwanda Air announced plans to form a strategic partnership and building stronger relations to improve synergies in scheduling, reservation systems and combined Frequent Flyer Programs (FFP's). The successful conclusion of these partnerships and the management of various processes, relationships and communications relied heavily on their business systems. However, KQ had already implemented an Enterprise Resource Planning system from Oracle Corporation that went live in April 2008.

According to the then Information System Director for KQ Mr. Kevin Kinyanjui, the main challenge was the consolidation of heterogeneous systems within the organization since the company was using separate information systems for various divisions such as supply chain and logistics, HR and finance and payroll among others. However, even though these processes were in different areas, most of the information flow was

interdepartmental and thus the airline needed a system platform that would integrate these processes throughout the organization's departmental systems.

The airline had to also take a risk and surrender the existing business processes by then and replace them with packaged processes from a competent ERP solution that would offer better services. Oracle's approach to the ERP design was flexible and thus placed KQ in a favorable position that would allow them to benefit from progressive solutions in the space. Some data sets from the old system were to be transformed and migrated into the new ERP solution. This approach was taken in order to improve business processes within the airline through use of standard processes in the new ERP application.

The idea was to change the processes to match the application since it was considered more productive than changing the application to match previous business processes. This then allowed Kenya Airways to implement the new system rapidly thus requiring minimal customization. However, customization was still necessary to comply with the business rules and the biggest customizations were airline specific: uniform management and station accounting. In the latter case, this was due to the accounting that takes place at the points of sale on individual coupon basis for flight tickets.

The airline also required the new system to automate many of its manual processes, such as reporting and adhering to approval policies. The objectives of the system were in line with the company's key business drivers which are to grow passenger numbers and cargo tonnage, grow its

fleet size, optimize business processes, expand its network, increase profitability, enhance cost management and ultimately stay high above the competition. Joining the competition and going with the leaders:

While Kenya Airways was looking for a solution for its ERP environment, it looked to possible system vendors who could deliver a system that would cover all the bases in terms of its divisional requirements. This meant profiling all vendors in the ERP market space to come up with the best solution provider. Integration of systems was of crucial importance, along with acquiring a solution that would enhance the enterprise with solid business processes and help them maintain competitiveness in an openly competitive global market space.

All possible options had to be considered by various teams of representatives from the departments that would be impacted by the solution to be chosen. The departments covered were HR, finance and supply chain and the teams from these departments made a joint decision to go with Oracle as the ERP provider. This is because ERP solutions offered by Oracle fitted easily into KQ's existing processes and also provided enhanced processes to the business out-of-the-box.

During and after the implementation of the solution KQ worked with a number of Oracle's experienced implementation partners. In greater detail the Oracle modules which were candidates for implementation included core financial, i-Expenses, Internal Controls Manager, Treasury, HR, Self Service Human Resource (SSHR), payroll, i-Recruitment, Time and Labor and HR intelligence, i-Procurement, Purchasing, Procurement Contracts, Inventory

Management, i-Sourcing, i-Supplier Portal, and Enterprise Asset Management (for building facilities and ground support).

After implementation of the system, the outcome of this investment was already apparent in the first financial year of use with KQ commanding a higher market share, increasing the number of flight destinations and recording higher profit margins. In addition to these benefits, administration processes were also automated which improved operations. A good example is the Self Service functionality that allows individuals to conduct online transactions faster than before and also the automation of previously manual processes.

Some of the manual processes that were automated include report generation where managers can generate reports on their own without calling out to other department who in the past would have generated and emailed them. The ability of managers to generate reports by themselves makes it possible for them to do their work quickly and securely. Technically the system has also brought a lot of transparency and visibility to the business. In addition to the operational efficiency, organizational policies have also been embedded into the system thus replacing many traditional manual approval processes.

This implies that there is little human element and emotion in the system thus policies are correctly adhered to and sign-offs are received from the correct person without failure. Conclusion: While the hunger for new markets prompted air carriers from Middle Eastern countries and Asia to expand aggressively into Africa back in 2006, Kenya Airways was at crossroads.

Their executives then responded by putting in place a brilliant expansion plan designed to make the company a leader in intra-Africa air traffic by 2009.

An important consideration was how to fuel this growth while avoiding significant expansion of back-office operations especially in the human resource, finance and supply chain management departments. The leadership thus gathered key talent from the organization and scoped out technology solutions and found the right integrated ERP solution thus ensuring that staff in various areas of the airline had much needed support during the important growth phase.

By 2011, passenger volume for Kenya Airways had climbed to 21 percent while revenues had grown by 34 percent all due to an integrated ERP solution that introduced efficiency thus boosting automation in various departments. Kenya Airways was the first African airline with a large Oracle footprint and the end result of this heavy investment was millions of dollars' worth of savings in annual costs and an IT infrastructure that is able to support continued business growth and keep up with the competition.