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Why are so many African companies uncompetitive on the global stage? Insights from the global airline industry

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ABSTRACT

This paper examines the question of why so many African firms are uncompetitive on the global stage. An integrated framework of firm-level and external factors was developed. This paper focuses primarily on the global airline industry and offers an array of external factors including slow implementation of the Yamoussoukro Declaration and protection of state-owned airlines, which have historically distorted the nature of competition and hampered the exposure of many airlines to "genuine" or fair competition. When shielded from competition, such firms' ability to transition to the global stage and outwit rivals is hampered. Furthermore, the study indicates that internal factors such as limited economies of scale and poor quality of services have affected some of the firms' ability to compete. With the notable of exception of airlines such as Ethiopian Airlines, South African Airways and Kenya Airways, the preponderance of airlines have struggled to compete. These factors help to account for the fact that African airlines equate to only 20% of all air traffic on inter-African routes. The implications of the findings are examined.

INTRODUCTION

Over the past century many companies domiciled in the wealthiest nations have developed a sustainable competitive advantage across an array of industries and sectors (The Economist, 2008; Hennart, 2012). In recent years, this dominance has been challenged by firms originating from emerging economies including Brazil, China, India, Indonesia and Turkey (see Thomas, Eden, Hitt & Miller, 2007; The Economist, 2008). These firms often possess capabilities and resources such as a low-cost base and cutting-edge technologies, which enable them to outclass their counterparts from developed markets when entering other emerging markets (Lall, 1983). Despite being situated in a continent dubbed "resource-rich" with an abundance of natural resources and commodities (Ika & Saint-Macary, 2014; Kaplinsky, McCormick & Morris, 2007), many African companies have not only failed to fully capitalise on the location advantage to capture domestic opportunities, but also lost out to Western and Asian rivals both on the African and global stages (Clark, 2014).

Recently, however, the lack of competitiveness of many African airlines has become more pronounced in the global airline industry when we look at the fact that around 80% of inter-continental traffic between Africa and the rest of the world is controlled by non-African airlines (Clark, 2014; The Economist, 2016c). This means that African airlines accounted for only 20% of passengers on inter-African routes (The Economist, 2016c). This is further exemplified by the fact that the top airlines in terms of capacity on flights between Western Europe and Africa are Air France, British Airways and KLM (Clark, 2014). Although EgyptAir, Royal Air Maroc and South African Airways are among the top airlines operating in Africa, a large part of the inter-African market has been carved out by non-African airlines largely due to the lack of competitiveness of many African airlines (Clark, 2014). By the same token, the African and Middle Eastern routes are mainly dominated by Qatar Airways and Etihad Airways with EgyptAir exerting pressure on their dominance (Clark, 2014). The historical underperformance of many African airlines in recent

decades has been an issue of growing concern amongst public policy-makers, governments and the African Airlines Association.

In 2016, the International Air Transport Association (IATA) projected the airline industry's profits growth from $35.3 billion in 2015 to $39.4 billion by the end of 2016 (IATA, 2016a). Although all regions of the world are expected to make significant contributions to the $4.1 billion improvement over 2015 profits, with North America accounting for around $22.9 billion of the profit, surprisingly, African carriers were projected to generate an overall loss (-$0.5 billion) which was an improvement on the $700 million lost in 2015 (IATA, 2016a). In sharp contrast with North American, Middle Eastern, Asia-Pacific and European airlines, African airlines have posted overall losses very year from 2012 to 2015 (IATA, 2016b). Although global data indicate that airlines make around $10.42 per departing passenger, this has failed to translate into higher profitability for many African airlines (IATA, 2016a, 2016b). Indeed, the issue of competitiveness of Africa and African firms in the global economy is anchored in the recent African Union's Agenda 2063 (African Union, 2014).

Although some African companies have emerged at the frontier of global competition, many are largely uncompetitive (Clark, 2014). Indeed, across an array of industries many African firms have often failed to not only capture market share in the global marketplace, but also collapsed and exited their industries (for review, see Amankwah-Amoah & Debrah, 2010). In spite of the importance of the competitiveness issue, an unanswered question is why so many are uncompetitive in global markets. The assertion that many African firms are unprepared for global competition is no longer a critique but increasingly a reality, which warrants further scholarly attention. The dearth of research is surprising given that the question of why some firms situated in a particular geographical jurisdiction consistently underperform relative to others is at the heart of strategic management and global business strategy research (see Peng, 2014a).

Against this backdrop, the main purpose of this chapter is to address this lacuna in our understanding by examining why so many African airlines underperform on the global stage. Using insights from the global airline industry, a unified framework is advanced to shed light on the underlying factors.

This paper offers several contributions to strategy and international business research. First, the study integrates insights of the dynamic capabilities perspective (Teece, Pisano & Shuen, 1997) and institution-based perspective (Peng, 2002) to develop an integrated framework to account for different types of firm performance in the global marketplace. Second, the paper contributes to international business literature (Peng, 2002, 2014a, 2014b) by explicating how institution-based factors such as protection from competition and slow market reforms can over time create conditions which curtail firms' incentives to improve their competitiveness. Thus, the paper extends our understanding of why some companies domiciled in a particular region are often uncompetitive at the global stage.

The remainder of this paper is structured as follows. In the next section, a review of the literature on the resource-based and institution-based perspectives is presented. This is followed by an examination of the changes in the airline industry in Africa and factors that have interacted to determine the limited competitiveness of African airlines. The final section presents the theoretical and practical implications of the analysis.

THE DYNAMIC CAPABILITIES AND INSTITUTION-BASED PERSPECTIVES: AN INTEGRATED REVIEW

The international competitiveness of different firms in different geographical jurisdictions can be explained by the following two theories. First is the institution-based perspective (Peng, 2002) which argues that a firm's ability to compete is shaped by the institutional environment within which they are situated (Peng, Sun, Pinkham & Chen, 2009). By institutions, we are referring to "the rules of the game in a society or, more formally, are the humanly devised constraints that

shape human interaction" (North, 1990: 3). Scholars have indicated that firms' environment can curtail or amplify their access to resources, markets and opportunities (Peng, 2014a, 2014b). It is widely acknowledged that environmental factors such as government controls, regulations, legal and political systems shape a firm's ability to compete (Peng et al., 2009). Recent scholarly works have highlighted that these factors influence firms' ability to internationalise to improve their competitiveness (Yamakawa, Peng & Deeds, 2008; Peng, 2014a).

Another line of research has demonstrated that governments play an instrumental role in creating a conducive atmosphere for firms to innovate and thrive (Doganis, 2006; Peng, 2014a, 2014b). It has also been established that the governments can also initiate and facilitate market reform agendas, which helps indigenous firms to develop cutting-edge capabilities to improve their competitiveness (Doganis, 2006; Koh & Wong, 2005). For nations seeking to occupy a pivotal position at the frontier of global innovation, implementing policies that foster capacity building and firms' competitiveness is essential (Koh & Wong, 2005). Indeed, capacity building and skills formation have been found to be particularly effective in this direction (Debrah & Ofori, 2006; Kamoche, Debrah, Horwitz & Muuka, 2004). Related to the above is the notion of institutional advantage, which can be a source of sustainable competitive advantage, rooted in firms' ability to acquire or secure superior resources and institutional support (Li & Zhou, 2010: 857). These advantages can be environment-specific including local government support, and access to land and capital (Luo, 2007; Li & Zhou, 2010).

The second stream of research is entrenched in the dynamic capabilities perspective which argues that competitive advantage stems from development, possession and utilisation of unique resources and capabilities (Augier & Teece, 2009; Teece et al., 1997; Wollersheim & Heimeriks, 2016). Broadly speaking, dynamic capabilities refer to the capacity of a firm to build, utilize and reconfigure internal and external competencies to respond to change in the business environment (Teece et al., 1997). Although it has been well established that a mere possession of resources and capabilities does not necessarily translate into an advantage, resources provide a starting point

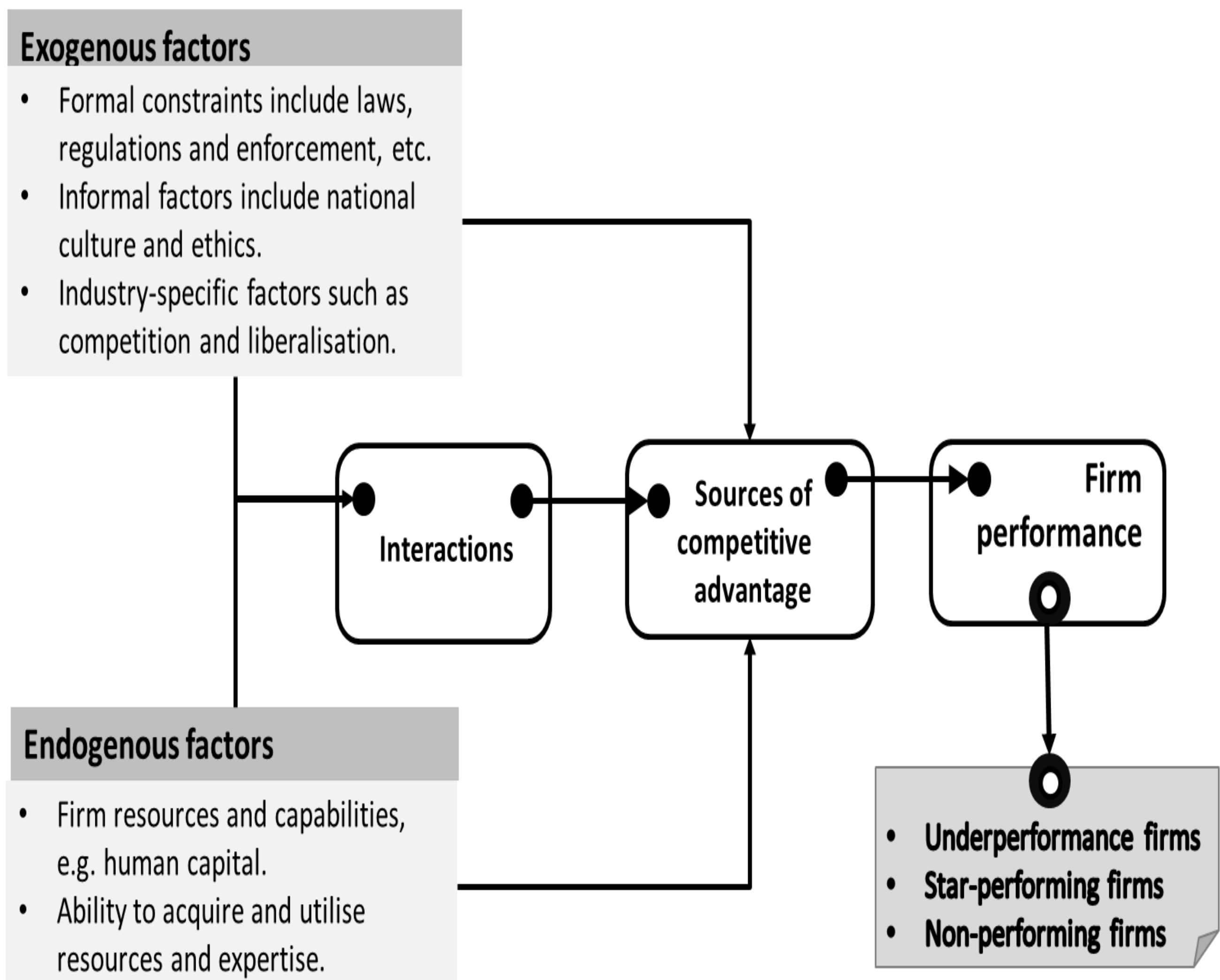
towards developing a sustainable competitive edge (Sirmon, Hitt & Ireland, 2007; Teece et al., 1997).

A related body of research had underlined the importance of human capital such as skills and knowledge in not only firms' ability to fend off global and regional competitors, but also in their ability to exploit market opportunities (Gardner, 2002). Some studies have indicated that the ability to identify and capture market opportunities is also partly rooted in the quality of human capital and resources (Short, Ketchen, Shook & Ireland, 2010; Amankwah-Amoah, Ottosson & Sjögren, 2017). The quality of human capital can also serve as a springboard for global expansion. Indeed, prior research suggests that highly skilled individuals can equip organisations to be able to identify and exploit international market opportunities, and respond to threats stemming from the external environment (Amankwah-Amoah & Debrah, 2011b). A growing body of research has suggested that it is rather the ability to utilise, leverage and replenish resources and capabilities that ultimately leads to sustainable competitive advantage irrespective of the geographical context (Sirmon et al., 2007; Sirmon, Hitt, Ireland & Gilbert, 2011; Teece, 2009). In other words, human capital is viewed as a strategic resource with potential to impact on a firm's bottom line and competitiveness.

According to Teece et al. (1997: 514), resources can be "sticky" and "firms are, to some degree, stuck with what they have and may have to live with what they lack". Although expanding into a new territory can bring to the fore knowledge gaps (Petersen, Pedersen & Lyles, 2008), firms can over time acquire and utilise resources in unique ways which can help them to close knowledge and expertise gaps, thereby enhancing their competitiveness (Ketchen, Wowak & Craighead, 2014; Petersen, Pedersen & Lyles, 2008). One conclusion drawn from the literature indicates that firms originating from emerging markets are often constrained by weak firm specific-factors such as brand and technology as well as location-specific factors, which limit their ability to out-compete developed country-rivals (Peng, 2014a; Rugman & Oh, 2008).

Notwithstanding these important insights, the dynamic capabilities explanations are inward looking and fail to account for the effects of external factors in shaping the competitiveness of firms (see Peng, 2002). It can be deduced that the ability to leverage firms' internal resources and capability to respond to threats or capture opportunities in the marketplace helps to differentiate star firms from underperforming firms. As shown in Figure 1, there is an array of internal and external factors that help to explain why some firms are more competitive than others. An aspect of the framework is a set of internal factors such as quality of resources and capabilities. The external factors include industry-based and institution-based factors such as competition and regulation.

Figure 1: A framework of firm performance in the global marketplace



THE EVOLUTION OF THE AIRLINE INDUSTRY IN AFRICA

From 1957, when Ghana became the first sub-Saharan African nation to obtain independence, to 1988, when the first major endeavour towards liberalising African aviation took place, multiple events occurred which have shaped the direction of the aviation industry (see also Amankwah-Amoah & Debrah, 2014, 2016). First was the disintegration of the West African Airways Corporation following the decision by Ghana in 1958 to opt out of the collaborative arrangement, which included Nigeria, Sierra Leone and Gambia (Amankwah-Amoah & Debrah, 2011). This was followed by the fragmentation of other multi-nation alliance airlines such as Central African Airways and East African Airways on the continent (Mutambirwa & Turton, 2000). These fundamentally led to the formation of many weak airlines with limited national resources to support their operations and internationalisation. Yet the adoption of the Yamoussoukro Declaration (YD) at the Yamoussoukro Convention on Market Access for Air Transport in Africa in 1988 as a blueprint for liberalisation on the continent was partly seen as a way of improving the competitiveness of the national airlines as well as creating conditions for a higher degree of competition to flourish (Njoya, 2015).

By 1999, around 44 nations had signed the agreement to help create an “open-skies regime” to allow for unrestricted frequencies between nations, improved safety standards and international investment in civil aviation (Clark, 2014: 8). The nations further reaffirmed their commitment to ease the bilateral restrictions, which were seen to be curtailing the operations of airlines on intra-African routes (Rivers, 2016). The recent African Union’s Agenda 2063 recognised the implementation of the YD and air connectivity as key pillars towards creating a more competitive, efficient and thriving African aviation sector (African Union, 2014). It has been demonstrated that cross-border liberalisation between only 12 African countries can create around five million new passengers, $1.3bn in annual GDP and 155,000 jobs (Rivers, 2016).

In 2016, the African Civil Aviation Commission noted that around 13 nations had reiterated their commitment towards implementing the YD within a year (Rivers, 2016). A good example of actions by a few nations is the case of the bilateral open-skies deal between South Africa and Zambia, which led to growth in passenger numbers as fares declined (The Economist, 2016b). At this point in post-colonial African history, the much-heralded shift from reliance on bilateral deals towards full regional liberalisation anchored in the YD had failed to materialise.

Despite the potential benefits that be accrued from liberalisation and decades having passed, coupled with multiple changes in governments and a shift towards more democratic regimes, the Yamoussoukro Decision remains a working project with no clear plan for full implementation (Njoya, 2015). Although there is an African Union Common African Civil Aviation Policy which encompasses liberalisation, many countries still associate civil aviation with national sovereignty and believe that liberalisation would lead to loss of control (Clark, 2014; Njoya, 2015). Another barrier has been the historical support and protection of flag carriers, which not only distort competition but also hamper the emergence of new airlines (see Clark, 2014; Njoya, 2015). As Rivers (2016: 48-49) puts is so eloquently:

> *"Empowering the private sector, although beneficial in the long term, tends to have a disruptive short-term effect on the public sector. Today, the reality is that most African flag carriers still rely on state bailouts and restrictive bilateral agreements to shield them from competition. Open skies would instantly tear down the latter while gradually drying up the former, pushing these parastatals towards either painful restructuring or bankruptcy."*

In a bygone era, when colonial rule was still in existence, identifying a consensus for a common aviation area failed to materialise due to the conflicting interests of the colonial powers. In contemporary Africa, the conflicting interests of nation states and desire by nations to protect state-owned airlines have become major barriers in the quest for a common aviation area and full liberalisation. Although state-ownership does not necessarily equate to poor performance, many state-owned airlines have become an obstacle to liberalisation.

Besides the growing demand for low-cost travel, very few regions of the continent, including North and Southern Africa, have benefited from the emergence of low-cost airlines. The growth of this type of airline has largely been hampered by the failure to implement the YD. In the wake of these obstacles and constraints to expansion, many African airlines have faltered, often attributed to weak sources of competitive advantage. By the end of the first decade of the 21st century, many of the promises following the waves of post-African independences from the 1950s–1970s had failed to materialise. Many state-owned airlines established with the purpose of projecting their national image had either collapsed or were in a much weaker competitive position (Amankwah-Amoah, 2015). In the decades leading up to the demise of Africa's iconic airlines such as Air Afrique and Nigeria Airway in the 2000s, the question of competitiveness of African airlines in the face of global competition had been brewing for some time. These factors culminated in the collapse of the iconic airlines. In recent years, the underexploited aviation market is now seen as a promising avenue for fostering growth and economic development (Pirie, 2014).

Some deregulations of domestic markets have occurred with varying outcomes. To illustrate the effects of the emergence of new low-cost airlines, we turn to the case of Ghana. Prior to the early 2000s, flying in and out of the country was extremely expensive and beyond the reach of the emerging market middle class. However, the emergence of new and expanding airlines including Starbow and Africa World led to a decline in prices. *The Financial Times* noted that the overall passenger traffic in 2012 on the key Accra–Kumasi route increased by 500% over the previous year for the airlines (Rice, 2012a). This created opportunities for businesses and also substantially reduced the journey time, thereby attracting more customers. One of the advantages enjoyed by such start-up airlines is a lack of or limited involvement of unions in their affairs, thereby creating conditions to act with greater latitude. Although domestic deregulation has occurred in many countries including Nigeria and Ghana, these are insufficient in fostering regional competition and impacting the high price of air transport.

The implementation of the YD has been slow, igniting and mobilising national resources to ensure full implementation would help to energise growth and improve intra-African connectivity (Clark, Dunn & Kingsley-Jones, 2015). For African countries seeking to compete at the global frontier, liberalisation to ease the restrictions on airlines' internationalisation and access to market opportunities has become a pressing issue. Below, we examine the internal and external environmental factors that have contributed to the limited competitiveness of many African airlines in the global marketplace.

DATA COLLECTION AND ANALYSIS

The study relied mainly on archival sources. In order to assemble data for this chapter, the industry magazines such as Airline Business and Flight International were consulted. IATA and Africa Civil Aviation Authority reports on the global industry, in general and Africa, in particular were consulted. Additional sources such as The Economist, African Businesses, local newspapers and websites were consulted. In order to shed light on the issue, content analysis was used. By content analysis, we are referring to "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use" (Krippendorff, 2012, p. 18). It encompasses summarising and comparing insights from the archival data (Smith, 1975).

EXTERNAL ANALYSIS: INDUSTRY AND INSTITUTIONS

The external factors include competition, liberalisation and government subsidies.

Government Protection, Subsidies and Competition

In the immediate post-colonial Africa, most nations opted for "socialist philosophies", which emphasised greater involvement of government in aviation, manufacturing and all sectors of the economy (Bewayo, 2009: Kiggundu, 1989). In countries such as Gambia and Ghana, the number of state-owned enterprises in major industries such as mining and manufacturing increased (Bewayo, 2009). Backed by government funds, these enterprises survived and hampered

competition until the 1980s when a weak economic situation, declining financial base of most states and pressures from international bodies including the International Monetary Fund and the World Bank forced states to privatise and move to a free market economy (Bewayo, 2009: Kiggundu, 1989).

Historically, the national flag airlines were viewed concurrently as engines for growth and symbols of national sovereignty (Doganis, 2006). For instance, in the immediate post-colonial Ghana, Ghana Airways, the then national airline, was viewed as not only an engine for economic development but also as a symbol of national and African sovereignty (Amankwah-Amoah & Debrah, 2010). As time went on, Ghana Airways became more of a symbol of national sovereignty and less as a catalyst for economic growth. Over time, many countries across the continent have come to view national airlines as symbols of national sovereignty and afforded them protection from market competition, thereby distorting the competitive playing field (Morris & Edmond, 2012). The flag carriers have developed competitive advantage which relies on state subsidies and impeding liberalisation reforms to shield them from global and regional competition (Rivers, 2016).

One of the outcomes is that many such airlines direct their resources and attention towards protecting the status quo rather than developing competitive advantage such as developing state-of-the-art technological capabilities, unique customer experiences, high-quality customer services, and reduced delays and frequent cancellations. In the case of the failed national airlines such as Ghana Airways, Nigeria Airways and Air Afrique, for decades their competitiveness was hampered by their respective governments' tendencies to tolerate losses, and grant vast subsidies and preferential treatment, which shielded them from the forces of market competition and hampered their incentives for renewal (Amankwah-Amoah, 2015; see also Debrah & Toroitich, 2005). The problem is compounded by the fact that a large number of airlines are still state-owned and preferential treatment, subsidies and protected from free market competition (The Economist,

2016b). A renewed drive towards liberalisation is more likely to render the traditional "ways of doing business" obsolete.

Across the continent, with notable exceptions, such as that of Ethiopian Airlines, state-owned airlines are generally associated with government interference, inept management and depletion of national resources to back their operations (Amankwah-Amoah, 2015; see also Doganis, 2006; The Economist, 2016a). Another effect of government protection and subsidies is that the emergence of low-cost carriers is often hampered, as are their activities (Rivers, 2016). In spite of multiple historical attempts to curb competition to protect domestic and national airlines, and prepare them for global competition, many airlines remain uncompetitive in the global arena after enjoying decades of government protection and subsidies (see Ford, 2014).

Another factor that explains their lack of competitiveness can be traced to the YD. For decades, promises have been made with regard to implementation but to date they remain largely unfulfilled. One of the consequences is that the old fashion bilateral arrangements still govern access to air transport markets and play a dominant role, thereby curtailing many airlines' ability to expand. Indeed, in 2015, Africa was one of the few regions where airlines continued to lose money largely due to their inability to compete with constraints in the face of competition from European rivals such as KLM, Air France and British Airways. In general, African airlines faced intense competition from Western airlines and former colonial powers including Air France and British Airways. However, in recent years, many airlines have emerged from the east including China, presenting a formidable challenge to them on key routes (Endres, 2011).

FIRM-LEVEL ANALYSIS: RESOURCES, CAPABILITIES AND ACTIVITIES

As previously noted, African airlines account for a mere 20% of all air traffic on inter-African routes, with many profitable routes dominated by non-African operators (Ford, 2014). This is particularly important given that in spite of the promising potential of the intra-African aviation market, it remains largely untapped (Amankwah-Amoah, 2014). Although unique resources and

capabilities underpin firm success on the global stage (Collis, 1995), many African airlines are often hamstrung by a lack of key resources and expertise, route networks and capital to buttress global operations (Endres, 2011). The ability to utilise firm resources and capabilities such as highly skilled individuals and route networks underpins their ability to gain competitive advantage. Below we examine the other firm-specific factors.

Limited Economies of Scale

In the last two decades, one of the factors that has accounted for the limited competitiveness of many African airlines is limited economies of scale. Indeed, in the airline industry, scale and reaching critical mass are key sources of sustainable competitive advantage (Morris & Edmond, 2012). Many of the world-leading airlines are members of the global airline alliances grouping, leaving many African airlines operating on the margins (Amankwah-Amoah & Debrah, 2011a). Indeed, in 2009 Africa was home to around 125 airlines compared with 88 operators in North America, a market which was eight times the size in terms of passenger traffic (Morris & Edmond, 2012:16-17). Most of the route networks are point-to-point, lacking elements of networks and associated benefits of economies of scale. Among the numerous airlines, very few African airlines except Ethiopian Airlines, Kenya Airways and South African Airways, are members of the global airline alliances (see Table 1) and it can be concluded that they "have reached a stable and economically efficient scale of operation" (Morris & Edmond, 2012:16–17). The ability to spread risks and costs associated with serving large number of routes with the same aircraft can enhance a firm's competitiveness.

Besides accumulating synergistic benefits, the global airline alliances also allow member firms to share resources and facilities which ultimately enable them to reduce costs. One of the consequences is that non-member African airlines are unable to accrue the synergetic benefits stemming from such alliances including sharing of facilities and joint marketing. Consequently, airlines belonging to such groups are able to tap into the opportunities offered to enhance their competitiveness. One of the problems is that many African airlines are relatively very small

compared with their European and American counterparts and often lack the economies of scale and extensive route networks required to compete successful.

Table 1: Airline alliances groupings and features

Features	Star Alliance	SkyTeam Airline Alliance	Oneworld Alliance
Formation	In 1997, it became the first global airline alliance.	It was founded in 2000.	It was launched in 1999 and the founding members included American Airlines, British Airways, Cathay Pacific and Qantas.
Members and network	Star Alliance has 28 member airlines include Egyptair (joined in Jul 2008), Ethiopian Airlines (joined in Dec 2011) and South African Airways (joined in Apr 2006). It operates to 98% of the world's countries and 330 airports.	It has 20 member airlines including Kenya Airways (Africa). Access to 1,057 destinations worldwide. Annual passengers of 665.4 million to 179 countries.	It includes 15 of the world's leading airlines with 30 associate carriers. Operates more than 14,000 daily flights to around 1,000 destinations across the globe.

Data sources: synthesised from: Amankwah-Amoah & Debrah, 2009, 2011a; SkyTeam, 2016; Oneworld, 2016; Star Alliance, 2016.

Coupled with non-global airline alliances status, the fragmented nature of the African market means that many small-scale airlines have emerged with limited ability to compete internationally. Many of the African airlines, such as Starbow and Africa World in Ghana, operate very few point-to-point services and lack the networks required to feed into their operations; as such their ability to expand and compete against major airlines is extremely limited. In this global industry, it has been demonstrated that strategic alliances, joint ventures and other collaborative arrangements actually improve the efficiency and increase consumer choice (IATA, 2016a). In this regard, consolidating airlines' activities and route networks through alliances is pivotal in improving

intra-African connectivity, cost efficiency, quality of services and overall competitiveness of African airlines.

Quality of Services

Historically, the poor safety record of the African aviation industry and high fatality rates have attracted the attention of the international media which in many instances tarnished the image of security and safety compliance of airlines and their ability to attract passengers on routes where they compete against Western airlines (Amankwah-Amoah & Debrah, 2016). In 2011, Africa accounted for around a third of all deaths in air crashes around the world (The Economist, 2016c). This was surprising given that the continent accounted for around 3% of the global air traffic. By 2016, the European Union had banned more than 108 airlines from 14 African nations including Zambia, Sierra Leone and Mozambique largely due to poor security and safety concerns (The Economist, 2016c). Such safety concerns make it difficult for even the best African airlines to attract non-African passengers on inter-African routes.

Over time, the name “an African airline” has become synonymous with poor security and safety records in some quarters in spite of the fact that some African airlines possess the highest security and safety records in the world (see Morris & Edmond, 2012). Although stereotype accounts for the damaged reputation of many African airlines, the poor security and safety concerns help to re-enforce the negative perception (Amankwah-Amoah & Debrah, 2016). One of the consequences of buyer behaviour is that many passengers travelling on inter-African routes opt for “non-African” airlines and in so doing, hamper the chances of national and emerging airlines attaining high-speed internationalisation (Morris & Edmond, 2012). An article in The Economist (2016c: 35–36) stated,

> *“When given a choice of airlines on international routes, passengers almost always opt for foreign carriers over African ones.”*

Furthermore, operating costs stemming from government constraints, delays, antiquated infrastructures and national policies have also created conditions to stifle the development of entrepreneurial airlines. It is also worth noting that the cost of jet fuel is about 20% more in the continent than elsewhere in the other developing or developed worlds (see The Economist, 2016c). This imposes an additional burden on airlines' operations and their ability to compete.

DISCUSSION AND IMPLICATIONS

This paper sought to examine the internal and external factors that have contributed to the limited competitiveness of so many African airlines. An integrated framework and key arguments were advanced which suggest that firm-level and external factors have interacted to help explain why so many African airlines underperform on the global stage. The paper offered an array of external factors including slow implementation of the YD and protection of state-owned airlines, which have distorted the nature of competition and hampered exposure of many airlines to "genuine" or fair competition. When shielded from competition, such firms' ability to transition to the global stage and outwit rivals is hampered.

Furthermore, the study indicated that internal factors such as limited economies of scale and quality of service have affected some airlines' ability to compete. With notable exceptions of African airlines such as Ethiopian Airlines, South African Airways and Kenya Airways, the vast majority of airlines have struggled to compete. 'This has accounted for the fact that African airlines account for a mere 20% of all air traffic on inter-African routes. This unified approach offers a more comprehensive picture of the factors that have accounted for the limited competitiveness of many airlines.

Regarding the outcome of limited competitiveness in the global industry, many national airlines such as Ghana Airways, Nigeria Airways and Air Afrique have collapsed in recent decades. Thus, the study highlighted the relevance of the possession of unique resources and favourable institutional environments in determining firms' ability to expand as well as compete at the

frontier of global competition (see Yamakawa et al., 2008). It complements prior scholarly works which have demonstrated that integration of firm-level and external analysis offered a more robust explanation as to why some firms underperform or fail (see Mellahi & Wilkinson, 2004).

Implications for Practice

Regarding practical implications, our findings suggest that by combining forces through strategic alliances, many African airlines would be able to share risk, speed up expansion and gain access to new intra-African routes. Accordingly, greater economies of scale would enable them to gain market power and eliminate overlapping activities. For African airlines seeking to be at the frontier of global competition, developing an extensive regional route network and low cost base could serve as a springboard for global expansion. As the forces of liberalisation are expected to advance, airlines are more likely to face new sources of competition which will require a shift from reliance on protection from competition towards developing exceptional capabilities and resources. In addition, by complying with the highest global standards of safety and security, airlines would also be able to repair the tarnished image of many African airlines as well as enhance their own competitiveness. From a public policy standpoint, our analysis indicates that full implementation of the Yamoussoukro Decision would help to ease restrictions on many African airlines and provide them with opportunities to expand on intra-African routes.

Directions for Future Research

There are some limitations of this article which need to be borne in mind. First, the data are largely secondary in nature. This offers no insight the experiences of airline managers in improving the competitiveness of their organisations. Future research could extend our analysis by incorporating some primary data from airline executives on the best way to enhance their competitiveness beyond the factors noted above. In addition, the conceptual nature of the paper means that there is lack of in-depth analysis of the illustrative case organisations. The study also offers limited insights on strategic renewal attempt by airlines to avert underperformance. Future

research should also examine the experiences of African airlines in strategic renewal to enhance their competitiveness.

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