

The effect of cost reduction and asset retrenchment on organisational sustainability of Airlines in Nigeria

*Jaji, Serifat Olasumbo, Kuye, O.L. & Ifere, S.E.

Department of Business Administration, University of Lagos, Nigeria.

*Corresponding Author: jajisumbo@gmail.com

Abstract

The Nigerian aviation sector reveals high prospects for economic growth and development. However, recurrent operational inefficiency and frequency of collapse of local airlines cede competitive advantage to foreign airlines. Airline operators had introduced strategies for recovery in recent times. This study investigated the effect of turnaround strategy dimensions on organizational sustainability of domestic airlines selected from Nigeria's aviation sector. By means of multi-stage sampling technique, 9 airlines with operational base in Lagos were drawn into the study. Primary data were gathered by means of research questionnaire. Stratified and random sampling techniques were adopted for the sample selection, and 323 respondents constituted the study sample size. The study employed multiple regression analysis and linear model was estimated using Pooled Ordinary Least Square (OLS) regression technique. Cost reduction strategies were found to have had a positive and significant effect on the sustainability of selected airlines. Similarly, asset retrenchment strategies demonstrated a strong positive effect on sustainability. In conclusion, both cost reduction and asset retrenchment have shown significant effect on the sustainability of domestic airlines within Nigeria's aviation sector. Nevertheless, it is recommended that the government should intervene by giving a directive to reduce multiple levies in the aviation sector.

Keywords: Airlines, Asset retrenchment, Cost reduction, Organisational sustainability.

1. Introduction

At the global level, industries are confronted with the challenges of international competition, ever changing technology and dynamic business environment which, when not properly managed, cause business failure and performance decline. The aviation industry is particularly sensitive and vulnerable to changes and challenges in the business environment. Between 2020 and 2021, more than 60 operating airlines across the globe were positioned for either bankruptcy or restructuring while 19 airlines experienced total collapse before the end of 2024 (IATA, 2025). From 2008 to 2019, over 50 airlines were

incapacitated and their aircraft grounded on account of diverse systemic factors (Morrell, 2023; Doganis, 2024; IATA, 2025).

Airlines in Africa have recorded between 30 per cent and 40 per cent of total operational cost on aviation fuel in comparison with foreign airlines in addition to extra aircraft financing (AfDB, 2026). Owing to high operational costs, and foreign airline competitiveness, 12 African airlines ceased operation in the period 2020-2024 (African Development Bank, 2026). These global, African and Nigerian evidences further confirm the sensitivity and vulnerability of the aviation

sector. Nigeria's aviation industry in particular has experienced contractions since 2013, compelling airline operators to employ diverse strategies. In terms of response to flight time, global average time response performance is between 81 per cent and 83 per cent while that of Nigeria's aviation sector is an average of 48 per cent (NCCA, 2025). For domestic airlines in Nigeria, the gap is an indication of operational deficiency. Nonetheless, given the issues surrounding operational sustainability, it is imperative to embrace appropriate turnaround strategies for business continuity purposes. For instance, airlines with strong economic structures socially meet the expectations of stakeholders, and tend to minimize negative environmental impacts that arise (Lopez, Rangel & Fernandez, 2022).

In spite of the growth potential of the Nigerian aviation industry, its operational efficiency is still retarded even as collaboration appears lacking among operating airlines. Several airline operators were found to have become technically incapacitated due to turbulence in the aviation sector (PwC, 2024; Sun et al., 2025). Most domestic airlines were found in perilous situations, largely attributed to operational shortcomings in addition to prohibitive financing costs with loan interest between 29 per cent and 33 per cent in crippling operational capacity (Onyema, 2025). Further, real time operational weakness is shown as a delay rate of 23 per cent (Airline Operators of Nigeria, 2025). Furthermore, the patronage of domestic passengers recorded a decline of 13.6 per cent from 2022 to 2024 due to increase in air fares (FAAN, 2025; Omobola & Ikediobi, 2025). But, traffic on international routes rose to 15.5 per cent in the same period (NCCA, 2025). While delayed flights account for 22.9 per cent of 17,731 domestic flights across Nigeria, ticket refunds were over 1 billion naira (NCAA, 2025). Out of 23 domestic airlines

that are apparently active, only 5 airlines appear to control 75 per cent of air traffic (Onyema, 2025), which is a measure of relative inefficiency among majority of the domestic airlines (Airline Operators of Nigeria, 2025).

A number of factors pose threats to airline survival, including high cost of operation, increasing flight fares, deficient aviation infrastructure, inadequate application of modern aviation technology, poor connectivity, weak quality of service and lack of innovation (Sylva, 2020). Among others are multiple taxes, insecurity, undue and persistent government interference in aviation operations, weak corporate governance exhibited by airlines, corruption, and overstaffing (Nwosu & Eze, 2024). Domestic airlines have suffered from inadequate funding, culture of poor maintenance, erosion of systemic institutions and unprofessional attitudes (Francis, Fidato & Humphreys, 2024). Observations reveal that the Nigerian aviation industry has not responded competitively to growth opportunities, considering the complexity of negative factors and challenges it has to contend with. Collapse of Nigeria Airways exemplifies the operational and management crisis in the Nigerian aviation sector. Such crisis is traceable to safety management lapses, negligence, corruption and gross mismanagement (Enoreenseghe & Egbenusi, 2021). Turnaround strategies are necessary to ensure continuity and sustainability of business operations and, if well implemented, could improve business performance in all ramifications.

The study provides practitioners with knowledge that can be used to counsel clients on strategies for successful turnaround especially in the aviation industry. Also, environmental activists and civil organizations might rely on information from the study to play more active roles to spread awareness of

sustainability in the Nigerian aviation industry. The study is particularly beneficial to the employees, the aviation industry as a whole, government, unions and the general public. Therefore, given the operations crisis and collapse of several airlines in Nigeria's aviation sector, this paper was motivated to investigate the interplay between turnaround strategy and sustainability of ailing airlines Nigeria's aviation sector. Cash flow and good financial performance are critical to organizational sustainability. Tying down under-performing or financially unproductive assets adds no value to firms. In this light, asset retrenchment is disposal of available non-core and weak assets to reduce expenses and wastage. Given the relatively short life span of aviation technology, asset retrenchment is critical to examine against organizational sustainability in the volatile aviation sector. Sustainability of firms in the aviation sector is critical given the volatility of the business environment which suggests that firms deploy policies and strategies that will keep them relevant and operational to attain corporate objectives. Operational sustainability is akin to organizational sustainability for no organization can survive if its operations are unprofitable. Auya et al. (2025) empirically showed that firm environmental regulations compliance increases operation cost by between 18 per cent and 25 per cent and further drives firm continuity in the aviation sector. Organisational sustainability is sine qua non to pursuit of vision and targets.

The issue on which the paper is hinged is determining the extent to which cost reduction and asset retrenchment (both as cost management strategies) could be used strategically as turnaround instruments for ailing domestic airlines in Nigeria's aviation sector. With focus on cost reduction, airlines are sensitive of cost, and deliberately adopt measures at eliminating

waste as well as creating expenditure benchmark to ensure economic viability. Continuous survival in a harsh business environment is tied to efforts at operational cost reduction. This strategic choice dictates need for examination of cost reduction and organizational sustainability in the aviation sector. Dosunmu and Suleiman (2025) have shown that rising fuel costs have negative correlation with airline profitability. This is further corroborated in Adeyemi and Okolo (2023), which established that consistent upward increase in aviation operating cost is a challenge to profit stability, suggesting that cost reduction should be given attention.

The paper is therefore designed to: (i) determine the impact of cost reduction strategy on organizational sustainability dimension of airlines in Nigeria; and (ii) find out if assets retrenchment strategy has any impact on organizational sustainability dimension of airlines in Nigeria. The rest of the paper is structured as follows: section 2 dwells on literature while section 3 is a description of the methodology adopted. Section 4 presents analysis and discussion. In section 5, conclusion and recommendations are provided.

2. Literature Review

In this section, insight is given into the concepts that drive the study. The paper here clarifies organizational sustainability, cost reduction strategy, and asset retrenchment strategy. There is also an explanatory application of the theory selected to underpin the paper.

Organizational Sustainability

Organizational sustainability encapsulates efforts and strategies geared towards organization unity, leadership and exploitation of diversity to remain relevant in the environment (Bansal & Song, 2023). Impact of strategic organizational sustainability comes to the fore, given that

the global business environment is volatile and complex with the consistent disruption of technology. Consequently, no corporate entity is immune to environmental threats. Sustainability of business is hinged on the adoption of strategies and engagement in ethical activities that help to meet stakeholders' needs as well as the need for business continuity (Pålsson & Beijer, 2021). These activities are also such that equally protect, sustain as well as enhance human and natural resources required for future endeavours. In the context of Nigeria's aviation sector, organizational sustainability is exemplified as resilience and ability for continuity of operations. Firms survive by a mix of strategies, depending on what they consider contingent in an emergency. Most airlines have had to contend with the regulatory demands of the Nigerian Civil Aviation Authority (NCAA) and Federal Airports Authority of Nigeria (FAAN). Also, most owners of airlines in Nigeria operate other businesses from where they obtain capital to fund and support the airlines in times of cash inadequacy.

However, Dyllick and Muff (2024) succinctly describe organizational sustainability as adoption of processes and policies. It is this adoption that enhances the acquisition and relevant application of the financial, human and other resources which domestic firms depend upon for long-term survival (Sylva, 2020). This is summarized as developing sustainable policies and processes in alignment to the extent that goals are not compromised. Pålsson and Beijer (2021) hold the view that sustainability emerges from a satisfactory state of affairs that benefits both the firm and society when firms engage in economic activities that enhance their market position to obtain favourable long-term profits. Activities that facilitate corporate sustainability also improve firm's competitiveness by creating opportunities for firms to earn profits and

gain competitive advantage over rivals in the same industry (Schaltegger et al., 2023). Firms that demonstrate decent sustainability practices tend to survive turbulent economic situations and harsh business environment (Govindan et al., 2024).

Cost Reduction Strategy

Documented evidence hints that organizational sustainability is firm's capacity to continue business operations legitimately in spite of environmental constraints (Ojukwu et al., 2024). In real terms, Nigerian firms demonstrate sustainability by cost saving, and engagement in diversification. Continued survival of firms is akin to sustainability, but dependent on adaptability to the environment and adoption of appropriate strategies of which one is cost reduction. Organisational sustainability is tied technically and strategically to cost reduction. In line with sustainability in Nigeria's aviation sector, airlines have adopted leasing of aircraft instead of outright ownership, cash flow survival, regulatory compliance and cost substitution which are all linked to cost minimization measures (Nnamani et al., 2025). Similarly, payment of staff salaries for continuity is also critically given consideration, and this attracts significant attention in terms of cost (Ayoola-Akinyemi et al., 2025).

Rising cost of production has compelled organisations across the globe to continually search for methods of reducing cost. Cost management or reduction has therefore become a significant option. Firms that have opted for focused cost reduction strategies tend to survive perilous cost challenges (Dai et al., 2025). In more recent economic down turn it becomes more important to make cost reduction program a major initiative in industry. Companies find it difficult to retain people and are laying off employees which are unprecedented in recent history

of industrial recession. Organisations have had to develop their own cost reduction program to save without cutting jobs. Researchers have emphasized the importance of cost retrenchment for achieving turnaround success (Zhang & Czerny, 2025). Operating strategies focus on improvement of firm efficiency and therefore are closely related to retrenchment of non-performing assets and overly high-cost factors. Both types of turnaround responses, however, may include asset and cost-cutting elements, which are assumed to positively influence performance if closely tied to the assessment of current operating and strategic health of the firm (Albers & Koch, 2024).

Turnarounds cannot be sensibly analyzed without taking into account the context of the financial obligations and related governance arrangements of organisations. Budd and Ison (2023) argue that companies under severe financial distress need to make aggressive cost and asset reductions in order to survive. Slashing labor costs, production costs, selling and administrative expenses, R&D expenditure, and financing costs is a common strategy used in the early stages of corporate turnarounds (Graham & Dennis, 2025). However, aggressive reduction of costs and assets is not without agitation or workforce resistance to such action. Cost reduction is synonymous with cutbacks in operating costs for the purpose of increasing profit (reducing loss) or improving cash-flow (Doganis, 2023). It is applied in both the emergency and stabilization stages of a turnaround. Cost reduction at the emergency stage centers on decreasing or eliminating expenditures that have no measurable payout.

Asset Retrenchment Strategy

Asset retrenchment strategy involves net reductions in long- and short-term assets so that the firm has only adequate assets to operate with (Belobaba et al., 2024).

Hostility of the business environment and inability of firms to turn in profits progressively compel the retrenchment of idle assets to avoid waste and inefficiency. Common to firms in the Nigerian aviation sector are route rationalization and elimination of inefficient as well as unproductive assets. In 2016, Aero Contractor had eighteen (18) aircraft and a debt burden of 30 billion naira (Sahara Reporter, 2016). By applying asset retrenchment, the fleet was reduced to two (2) aircraft. This strategy exemplifies the practice among ailing airline firms.

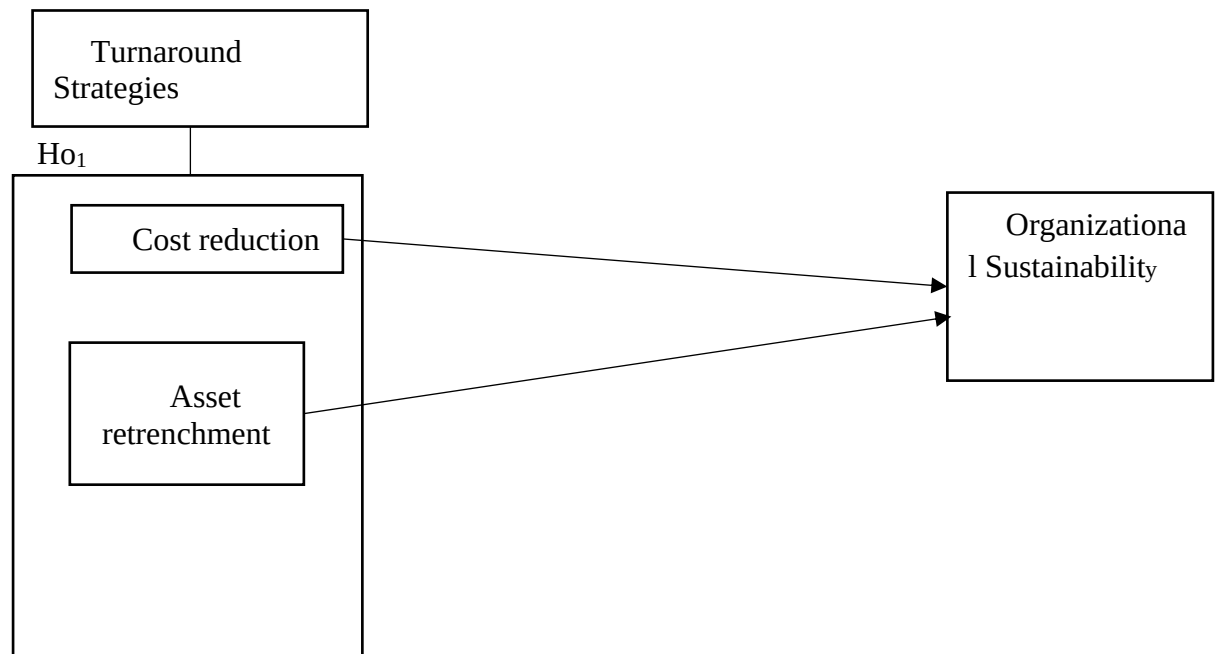
This is necessary where a firm's high priority values are under threat and weak strategic alternatives. Its aim is to enhance the efficiency of the firm's current operations through improved asset utilization and it can be reduction in business unit level sale, reduction in short term assets or closures and integration of fixed assets, selling some equipment and fixtures, useless land & buildings, reducing unprofitable investments and selling Asset retrenchment is also reduction in unproductive members of staff thereby reducing overhead expenses (O'Connell & Bueno, 2024). If decline is severe and the risks are high and imminent, a firm could sell its least-productive operations and assets in order to stop cash-bleed and generate more cash (Morrell, 2023). Tactics under this strategy embrace selling unprofitable subsidiaries. Jamal and Salisi (2021) introduced insurance as another feature of cost reduction. They see insurance as the reduction of resources and expenses. On the other hand, cost conservation suggests the net reduction of costs such as selling, general, and administrative costs, and other various expenses (Kumar et al., 2025). Gibson and Billings (2010) as alluded to in Nduta and Deya (2020) conceptualized revolutionary cost as asset reduction in value for firms in more outrageous circle-back conditions.

Conceptual Framework

The conceptual framework illustrates how the variables relate. The independent variables in the present context comprise

cost reduction strategy and asset retrenchment strategy while the independent variable is organization sustainability.

Figure 1: Turnaround Strategies and Organizational Sustainability



Conceptual model: Turnaround strategy and Organizational sustainability

Source: computed from the variables

Figure 1 shows the conceptual model of turnaround strategies as correlates of sustainability of selected domestic airlines in Lagos state, Nigeria. In this model, there were two main variables of interest which are dependent and independent variables. The dependent variable was Turnaround strategies measured by cost reduction and Asset retrenchment and independent variable of organization sustainability.

Theoretical Framework: Survival-based Theory

Given the complexity and volatility of the business environment, the survival-based theory finds applicable expression in this study, particularly with reference to the aviation sector. Hence, it is selected for explanatory purposes. The theory argues that in order to survive, organizations have to deploy strategies that are focused on

running operations efficiently, and which can also respond rapidly to the ever-changing environment (Lynch, 2003; Abdullah, 2007). The focus of survival-based theory is the adoption of strategies that enable firms to run competitively, given the continual emergence of volatile factors that militate against productive capacity. In essence, the theory makes a case for adaptability.

Survival-based theory holds that the survival of organisations in a hostile business environment is dependent on adaptation of strategies. Adaptability is at the core of the theory. The Nigerian business environment is to which the theory is being applied is generally volatile. As such, the aviation sector is not exempted from the volatility and complexity of forces which exhibit high operational costs, foreign exchange rate crisis, infrastructure deficit, the problem of aging fleets and debt burden among others.

The mortality of airlines in particular is considerably high in Nigeria's aviation sector. Having invested much funds, because the aviation sector is capital-intensive and technology-driven, survival strategies are critical as a response to the volatility of the sector. One of the several strategies is cost reduction. Another is asset retrenchment among others. Both cost reduction and asset reduction are the subject of this study, and are devised by organisations to ensure organizational sustainability. The survival-based theory is apt as it underpins the study, providing insight for clarification and application of both cost reduction and asset retrenchment as survival strategies for airline operating in Nigeria.

Organizations continuously strive for survival in the midst of environmental challenges that spring up to impede on business performance (Rico et al., 2021). Surviving in the Nigerian aviation entails adopting various strategies that will revitalize the industries, meeting up with the increasing air travel demands. Organizational survival has both subjective and objective denotations. However, the literary way to measure survival in organizations is to observe their continuous existence (Okoye, Amesi & Hart, 2021). Organizational survival implies firms' ability or state of continuing to live or exist, often despite difficulty, challenges or dangers (Ugwuzor, 2018). The concept of survival has been mostly regarded in disaster management studies as an important factor ensuring continuity, sustainability and future success in the case of disruptive events (Kantur, Petrosyants & Lomakin, 2020). Survival is measured by a company's ability to endure through volatile, unpredictable, complex and ambiguous elements that an organization could face: events such as the COVID-19 Pandemic. An organization that is geared towards survival must be prepared, act quickly and get positive results during the

storm, which will eventually lead to coming out of the storm with a positive moment for growth (Obiekwe, 2018). The majority of struggling corporations choose particular measures, such as cost reduction, asset reduction, or restructuring. The survival-based argument provides a more plausible explanation to support failing businesses.

Empirical Literature

In a study, three measures of corporate performance, represented by profit, return on investment (ROI), and return on equity (ROE) were examined against predictor variables, represented by cost reduction, asset reduction and revenue generation among quoted manufacturing firms in Nigeria (Akaiwe, 2026). Results show a positive and significant association between turnaround strategy and corporate performance. For instance, Sheikh's (2017) study of the turnaround strategy effects on the Kenya Airways performance, it was established that turnaround strategies such as cost reduction strategies, managerial strategies, culture change and strategies for generating revenue have a positive impact on the company's performance. Muturi and Odollo's (2019) study of turnaround strategies and Kenyan commercial banks' performance, the result shows that turnaround strategy such as cost reduction strategy, managerial strategy, culture change and strategies for generating revenue have a positive impact on the company's performance. Both studies are in accordance on the impact of cost reduction. The results are also in harmony with the present findings.

Gupta and Jain (2020) conducted a study on turnaround strategies and sustainable growth in the manufacturing sector and revealed that retrenchment strategies, such as workforce restructuring and cost reductions led to short-term financial improvements in the manufacturing sector. Park and Kim (2017) investigated

turnaround strategies and sustainable growth: Evidence from the retail industry. The study had a sample size of 50 retail companies. The methodology adopted was longitudinal, and data collected were analysed using regression analysis. The study found that retrenchment strategies, such as store closures and cost reductions, were associated with short-term financial improvements in the retail industry.

Wang and Zhang (2019) studied Turnaround Strategies and Sustainable Growth: A Study of Chinese Manufacturing Companies. Sample Size consisted of 80 manufacturing companies in China and methodology involved a Quantitative study. Data Analysis was done employing structural equation modelling. The analysis revealed that retrenchment strategies, such as cost reduction and process optimization contributed to short-term financial improvements. In another study by Nacheri and Ogollah (2015), turnaround strategy was successfully utilized to increase the revenue generation of Kenya Revenue Authority, using descriptive research design. The study used both primary and secondary data, incorporating inferential and descriptive statistics and multiple regression analysis. It was found that cost reduction, modernization of internal processes, employee motivation and corporate planning strategies were the factors that contributed to increase in revenue.

Asenge, Adebajo, Adima, and Adudu (2023) investigated the effect of turnaround strategies on the performance of Foods and Beverages manufacturing companies in Nigeria with focus on BUA Foods Plc. The study specifically examined the effect of retrenchment strategy and diversification strategy on the performance of BUA Foods Plc. Data collected from participants were analysed using mean, standard deviation, correlation and regression analyses with the aid of the

Statistical Package for Social Sciences (SPSS version 23). The study found that retrenchment strategy has a positive and significant effect on the performance of BUA Foods Plc. The study also established a positive and significant effect of retrenchment strategy on the performance of BUA Foods Plc. There is consonance between the present study and the findings in Azenge et al. (2023), which concluded that turnaround strategies help to reduce costs associated with business operations and improve performance..

3. Methodology

The research design adopted for the study is survey research design. The aviation industry under examination is wide, which cannot be sufficiently covered in one single research. Consequently, adopting a survey design is appropriate in this context. Moreover, survey design helps researchers to collect a representative sample, which is reflected in the current paper. In view of this reasoning, nine (9) airlines were selected for the study. The study examined sustainability dimensions in the aviation industry with focus on cost reduction and asset retrenchment. Key players in the industry were identified to supply data by means of a research instrument. The research instrument is a structured questionnaire, designed on a 6-point Likert scale system of Strongly disagree SD= 1, Disagree D=2, Undecided U=3, Moderately Agree=4, Agree A=5 and Strongly Agree SA=6. A 6-point Likert scale tends to improve reliability, helps to generate continuous data while preventing neutrality of response from respondents. The Cronbach's equation for Alpha is given as:

$$\alpha = \frac{n}{n-1} \left(1 - \frac{\sum V_i}{V_{\text{test}}} \right)$$

Where:

N= is number of questions

V_i = variance of scores on each question

Vtest = is total variance of overall scores on the entire test

The Cronbach's Alpha was computed using SPSS analytical software.

Table 1: Reliability Coefficient of the Instruments

Variable	No. of items	Alpha (α) coefficient
Cost Reduction strategy	8	0.830
Asset Retrenchment strategy	8	0.872
Organisational sustainability	8	0.801

In table 1 above, the high Cronbach's Alpha coefficients across each factor shows that the questionnaire passed reliability test. The overall Cronbach's Alpha coefficient for the instrument is reliable (Cronbach's $\alpha > 0.80$).

Method of Data Collection

The study utilized primary data, which were obtained by means of a structured questionnaire. Structured research questionnaire restricts respondents to specific responses. The objective of study, research questions and study variables guided the construction of items on the questionnaire. Moreover, the questions are uniform.

Method of Data Analysis

In order to provide answers to the research questions, Structural Equation Modeling (SEM) through the use of SMARTPLS4 was considered. SEM is appropriate because it helps to measure variables that are abstract in nature, which cannot be measured directly. It also relies on survey questions for data on variables under investigation. Most of the variables in the present paper lend themselves to use of SEM for analysis.

Model Specification

While Organizational Sustainability (OS) is the dependent variable, the turnaround strategies (Control variables) are Cost Reduction Strategy (CR) and Asset Retrenchment (AR), employing simple and multiple regression analyses.

The result of the reliability test of Cronbach's Alpha is presented in the table 1.

Model 1: to test the effect of **Cost Reduction Strategy (CR) on organizational sustainability (OS)**

$$OS = \beta_0 + \beta_1(CR) + \varepsilon \text{ -----}$$

----- (i)

Cost Reduction Strategy (CR)

Organizational Sustainability (OS)

Model 2: to test the effect of **Asset Retrenchment (AR) on Organizational Sustainability (OS)**

$$OS = \beta_0 + \beta_1(AR) + \varepsilon \text{ -----}$$

----- (ii)

Asset Retrenchment (AR)

Organizational Sustainability (OS)

Cost Reduction Strategy = CR

Asset Retrenchment = AR

The Linear model was estimated using Pooled Ordinary Least Square (OLS) Regression technique. SPSS version 26 analytical software was deployed for estimation and analysis.

4. Result and Discussion

What follows in this section is analysis and discussion of findings.

Evaluate the effect of cost reduction strategy on organizational sustainability of ailing airlines in Nigeria.

To achieve the above stated objective, the study proposed that:

H₀₁: Cost reduction strategy has no significant effect on organizational sustainability of ailing airlines in Nigeria.

Model 1: to test the effect of **Cost Reduction Strategy (CR)** on **organizational sustainability (OS)**

$$OS = \beta_0 + \beta_1(CR) + \varepsilon$$

----- (i)

Cost Reduction Strategy (CR)

Organizational Sustainability (OS)

Data gathered were subjected to testing and analysis, using the Pooled Ordinary Least Square (OLS) Regression technique. IBM Statistical Package for Social Science (SPSS) Statistics version 27 software was deployed for the estimation and analysis.

Table 1: Regression Analysis of Cost Reduction Strategy and Organizational Sustainability

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.366a	.134	.131	.54998	
a. Predictors: (Constant), Cost Reduction Strategy.					
ANOVAa					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	14.785	1	14.785	21.584	.000b
Residual	95.884	140	.685		
Total	110.669	141			
a. Dependent Variable: Organizational Sustainability.					
b. Predictors: (Constant), Cost Reduction Strategy.					
Coefficientsa					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.505	.212		11.815	.000
Cost Reduction Strategy.	.354	.051	.366	6.991	.000
a. Dependent Variable: Organizational Sustainability.					

a. Dependent Variable: Organizational Sustainability.

Source: Field Survey, 2026.

To analyze the hypothesis, the linear regression was employed at 5% significance level. The analysis showed a significant model summary: $F(1,2) = 21.584$, $P < 0.05$, $R = 0.336$, $R^2 = 0.134$. The analysis showed that Cost Reduction Strategy levels have significant positive effect on organizational sustainability of Airlines Operators in Nigeria. With an R-squared of 0.134 and an adjusted R-squared of 0.131, the model in this regression analysis shows statistical significance ($p < 0.05$). The regression analysis model that is being presented fits the data well and accounts for approximately 13.4% of the variance in

organizational sustainability and the remaining 86.6% is due to other factors that are not captured in the regression equation. Also, the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore, the null hypothesis is rejected and it can be concluded that Cost Reduction Strategy have significant effect on Organizational Sustainability of Airlines Operators in Nigeria.

Determine the effect of assets retrenchment strategy on organizational sustainability of ailing airlines in Nigeria.

To achieve the above stated objective, the study proposed that:

H₀₂: Asset retrenchment strategy has no significant effect on organizational sustainability of ailing airlines in Nigeria.

Model 2: to test the effect of Asset Retrenchment (AR) on Organizational Sustainability (OS)

$$OS = \beta_0 + \beta_1(AR) + \varepsilon$$

(ii)

Asset Retrenchment (AR)

Organizational Sustainability

(OS)

Table 2: Regression Analysis of Assets Retrenchment Strategy and Organizational Sustainability

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.629a	.395	.393	.56392		
a. Predictors: (Constant), Assets Retrenchment Strategy.						
ANOVAa						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.923	1	65.923	91.560	.000b
	Residual	100.809	140	.720		
	Total	166.732	141			
a. Dependent Variable: Organizational Sustainability.						
b. Predictors: (Constant), Assets Retrenchment Strategy.						
Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.799	.217		3.674	.000
	Assets Retrenchment Strategy.	.747	.052	.629	14.398	.000
a. Dependent Variable: Organizational Sustainability.						

Source: field Survey 2026

To analyze the hypothesis, the linear regression was employed at 5% significance level. The analysis showed a significant model summary: $F(1,2) = 91.560$, $P < 0.05$, $R = 0.629$, $R^2 = 0.395$. The correlation coefficient equals 0.629 indicates a strong relationship between Assets Retrenchment Strategy and Organizational Sustainability of Airline Operators in Nigeria, the model in this regression analysis also showed a statistical significance ($p < 0.05$). The regression analysis model that is being presented fits the data well and accounts for approximately 39.5% of the variance in

Organizational Sustainability and the remaining 60.5% is due to other factors that are not captured in the multiple regression equation. Also, the p-value of (0.000) which is less than the level of significant at the 0.05 level (2-tailed) indicate that the result is statistically significant; therefore, the null hypothesis is rejected and it can be concluded that Assets Retrenchment Strategy have significant effect on Organizational Sustainability of Airline Operators in Nigeria.

Discussion of Findings

Both cost reduction and asset retrenchment as turnaround strategies, examined in this

study, have shown strong potential to sustain airline operations, given the positive and statistically significant impact of each on organizational sustainability as reflected in the results. Reduction in the cost of asset maintenance, aviation fuel and labour is seen to improve liquidity. On the other hand, cost control propels sustainability of overall airline business operation where funds are readily available for other more compelling transactions (Brueckner et al., 2024). Both cost reduction and asset retrenchment create financial stabilization for airline firms to withstand the volatility of aviation fuel pricing. This must be evident in the Nigerian aviation sector all things being equal.

Effective turnaround is holistic when it emerges from the impact of a combination of several strategies (Lee & Park, 2025). The caveat nonetheless is that asset retrenchment must be complemented with diversification while revenue generation should adequately be guided with fiscal discipline. Consequently, interdependence of the two strategies (cost reduction and asset retrenchment) is established in theoretical and empirical terms as underpinned in this study.

The combined effect of cost reduction, and asset retrenchment strategies redirects the business model in airline operation to the path of economic growth. Similarly, the strength of the combined effect shifts sustainability of airline firms from short-term basis to long-term basis. Re-organisation, on the other hand, produces effect that strengthens interoperability of units, airline administration and coordination. For airline firms, as evident in the present study, restructuring drives efficiency into asset retrenchment and revenue generation. Both strategic variables examined are complementary. Management of each strategy poses a challenge for monitoring, particularly in the volatile aviation environment. Given

the positive impact of cost reduction and asset retrenchment, senior management of the affected airlines may be prompted to consider a new accounting policy (Sun et al., 2025).

Results from the study have implications for the aviation industry in Nigeria. For instance, policy implications for statutory authorities in Nigeria's aviation sector reflect the need to reduce multiple charges. It is implied that government contributes to the high cost of operation in the aviation sector. The significant positive impact of both asset retrenchment and cost reduction as found in the study represent internal efficiency. In essence, operators of airlines need focus more significantly on asset retrenchment and cost reduction. The results also imply that airlines operating in Nigeria can achieve long-term operational sustainability, but must be supported by government in its handling of airport charges. The study should motivate management reflection on cost efficiency and economic survival in Nigeria's aviation sector. Further, implication of the study findings for asset retrenchment is the imperative to adopt asset retrenchment as a proactive strategy for sustainability. However, the result is proof of potential asset retrenchment potential to infuse sustainable value into airline operations. Consequently, it validates existing findings on the impact of asset retrenchment and cost reduction (Dosunmu & Suleiman, 2025; Auya et al., 2025). In terms of theoretical implications, the results support Survival-based view, which proposes maintenance of assets that generate efficiency and improve sustainability.

5. Conclusion and Recommendations

The Nigerian aviation sector holds prospects for airline operations, given the high demand for air transport services. But macro-economic volatility and a mix of policy inconsistency among others tend to retard operational efficiency in the aviation

sector. The study was designed to investigate the extent to which cost reduction and asset retrenchment could be used as strategies to turn around ailing domestic airlines. It was found that cost reduction strategies had a positive and significant effect on sustainability indicating that higher levels of cost-reduction practices are associated with improved sustainability performance. Similarly, asset retrenchment strategies demonstrated a strong positive effect on sustainability. Thus, asset retrenchment strategy is a meaningful and statistically significant predictor of sustainability performance. However, volatility of the aviation sector is a major challenge to airline operators. Such operational challenge has implications for organizational sustainability. Consequently, dwindling performance and closure of a number of airlines dictate the need for turnaround strategies.

Each of the predictors exhibited a slightly positive and significant effect on organizational sustainability. However, the effect of each predictor, though positive and significant, varies relatively. To a large extent, all the predictors are internal variables. From findings, sustainability performance of operating airline organisations is a function of the strength of the internal variables examined and external variables, particularly policy regulations. Overall, there are prospects for the turnaround of airline organisations, operating in Nigeria whose performance has dwindled overtime. In the light of findings, recommendations have become sacrosanct. For firms in the aviation sector, cost is a critical factor, and must be controlled. It is therefore recommended the

cost reduction be monitored, reviewed and benchmarked, guided by prevailing market price(s) against firm's liquid asset. Focus should also be directed by management at debt burden reduction and disposal of aging aircraft. Indeed, analysis of costs should be used as a yardstick to suspend maintenance of unprofitable air routes. In the same vein, aircraft fleet reduction is recommended as this strategy would help to maintain aircraft at lower cost.

The government should give directives to the effect of reducing the burden of multiple levies which airline firms have borne over the years. Such flexibility would lift the tax burden off air transport operators in Nigeria. Alternatively, a new tax policy in the aviation sector could be designed and operated on a single-window platform solely for domestic airlines. Local air transport firms should engage in strategic alliance formation at both domestic and international levels to provide competitive services to passengers as well as share air transport intelligence. Such alliance could result in expansion of routes across regions thereby reducing competitive rivalry and unwholesome dominance of most foreign airline firms, operating in Nigeria. While cost as well as financial viability of routes need be analysed, indigenous operators of airline firms should take cognizance of aircraft leasing, given the high exchange rate and cost. As a future study for extension of the frontiers of knowledge in the African aviation sector, a comparative study involving selected Nigerian and East African airline organisations could be engaged to determine more effective turnaround models.

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