

Foundations of Management – MGT – 501-01W
Management Concept Paper – American Airlines

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Section 1: Company Overview

American airline is a leading company headquartered in Fort Worth, Texas. It is one of the largest and sizable company in the world when measured in the aspects of revenue, passengers carried and number of destinations served. This company also has several regional partners dispersed all around the world. It also operates many domestic and international connections in more than 50 countries with almost 6700 flights per day to nearly 350 destinations. It is through the domestic routes that the American airlines have been achieving more than 60% of the revenue. Recently, as a part of its \$200 million investment, American airlines is expanding premium offerings in the travel experience to four U.S airports for all the premium customers. American airline is also a founding member of Oneworld alliance which is known to be the third largest airline alliance in the world.

When we look at the chronological summary of the company, the first American airline flight took off by Charles Lindbergh on April 15 in the year 1926 in which the airline was carrying U.S mail from St. Louis, Missouri, to Chicago, Illinois. After 8 years of mail routes, the airline began to form into what it is today. The DC-3 plane transformed the entire airline industry by converting the revenue sources from mail to passengers by an American founder C.R.Smith. In 1930's, it began trading on the New York Stock Exchange. In 1940's, it established its engineering base in Tulsa, Oklahoma. It introduced mobile boarding passes in 2000's and further improved over the years and recently in 2015 it grouped with US airways operating as one airline with a single passenger service system and still continues to be the best airlines with 90 years of strong history.

According to NASDAQ report, current status of the company is that, in the year 2019 it has made first quarter revenue of \$10.6 billion and \$245 million pre-tax profit in which it returned \$646 million to shareholders in the form of dividends. It also estimated that the pre-tax income was impacted by approximately \$80 million because of the grounded aircraft and flight cancellations. It is building a company where it can be persistently profitable both in the present and in the future. Also, with the recent rise in oil prices and fuel expenses, they are expecting approximately \$650 million higher than they predicted three months ago. In spite of these expenses, they are still confident because they said that they are expecting

2019 earnings to grow approximately 10% when compared with 2018. At present, American airlines (AA) have 1,26,600 employees with a market capitalization of 25 billion dollars.

With a powerful industry bound to fuel costs imperfect competition, AA strives to turn a profit which is very common in the industry. Delta airlines, South west airlines and United airlines are the three top competitors for American airlines. Delta airlines is competing in the field of airlines with 39,900 fewer employees than American airlines. Southwest airlines have 70,100 fewer employees and united has 36,900 fewer employees. In this competitive world, AA industry is firmly growing at an excessively strong rate.

Section 2: Identification and discussion of Management concepts using P-O-L-C framework

American airlines aimed attention towards strategy and excellent leadership to determine the long-term goals of the organization. They mainly focussed on taking care of their team, to satisfy all the customer needs and to return value to the shareholders which helps in achieving success for the organization. They were able to generate strong financial results and outshine the industry in terms of their revenue performance. American airlines was able to attain their goals mainly because of the business strategy that the company has adopted.

According to CEO of the company, they ensure to meet their goals by following four strategic objectives as discussed below: (Corporate Responsibility Report (CRR), American airlines, 2017)

1. Create a world class customer service – American airlines give value to their customers and strengthen their network by growing where they have a competitive advantage.

They recently collaborated with Apple Music to offer complimentary Wi-Fi access for customers to stream from their personal Apple Music accounts.

Also, partnered with Blade to offer helicopter transfers, off-terminal entrance and private screening service to their customers. They are also providing AAadvantage members several ways to earn miles with its intensified relationship with Hyatt Hotels.

The company makes the travel experience for the customers more convenient by providing advanced baggage management which allows to easily track luggage at multiple locations, comfortable seating

with more leg room for travelers and offers many exclusive services for customers with special needs and Autism to enhance their inflight experiences.

2. Make culture a competitive advantage – They have an excellent leadership who guides to develop ingenious and inspiring leaders. They also prepare their team with appropriate tools and necessary training to provide best customer service.

American airlines have a phenomenal leadership led by W. Douglas Parker who is the chairman and chief executive officer of the company. The employees and their families trust the organization as they provide employer rewards to recognize their work with a supporting work environment. They motivate and care about their team members, listen to their opinions too and support their frontline team members but not manage them. They succeed as a team and they believe in working together to accomplish furthermore than working as individuals. They give freedom and allow their employees to learn and make a difference while working and treat each other with respect. They actively keep an eye on the performance of the organization for pursuing improvement. In their organization there is no space for complacency and excuses instead they honor passion and results. Their leaders are big-picture thinkers with a particular focus on the future as they encourage open mindedness, diversity of thought and risk taking to thrive on progress.

3. Ensure long term financial strength – They guarantee to perceive the efficiencies on the company's earnings potential and to create an importance for their shareholders. For the long-term financial gain, it focuses on a low-cost strategy to attract a large market by providing a qualitative service. They constantly make investments and manage risks to maximize their shareholder value which helps in long-term success.
4. Think forward, Lead forward – They are also creating an action-oriented culture in order to produce products quickly into the market and to adapt to the recent changes in the technology and have fulfilled their share of corporate social responsibility (CSR). This company has come up with environmental manage system (EMS) to manage a broad range of issues such as air emissions, hazardous waste disposal and aircraft water quality. It has taken a huge step towards the climate change mitigation by finding alternative ways to fuel its aircrafts to reduce the carbon footprint. It

has satisfied both social and environmental activities by carrying out these activities. As a global airline with a rich heritage, they maintain the planet for forthcoming generations of travelers.

The CEO of the organization said that culture at American Airlines is as diverse as the customers that they serve. Management works hard at hiring people with unique qualities and those who can think innovatively out of the box as it plays a major role in achieving goals and objectives. It is a long-term objective of the company to make culture as competitive edge of the organization. Also, their team-oriented culture helps towards the growth of the organization wherein all the employees help each other whenever needed. Leaders of the company are accountable for cultivating an inclusive work environment that helps unleash all their employees' potential. This is a place where unity in diversity is observed because they welcome and value people of all races, genders, generations, disabilities and ethnicities. The organization was awarded as one of the best places to work for the exceptional leadership and diverse employment practices. Employee engagement and structure is installed within the organization culture. Employees are motivated and recognized for their work by various employee recognition programs such as chairman's award where they recognize team members for significant contributions to the company, spot award where team members are recognized for their work on day-to-day basis, Real American hero where team members are recognized if they perform an act in a life threatening situation, Above and beyond is a simple thank you to team members for their great service towards customers and colleagues, eCards to recognize coworkers important dates like birthdays and service anniversaries, retirement gifts to honor the retiring team for their commitment to the company (Corporate Responsibility Report (CRR), American airlines, 2017).

In order to provide sovereignty in decision making, the organizational structure of American airlines is decentralized amongst the various major and minor hubs hence reducing the lapses in the operations of the company. This company has also partnered with many airlines across the globe to reach its presence in several continents which now has turned into one of the largest airlines in terms of passengers served, market reach and fleet size. In the strategic management, as per the value chain analysis the company has addressed several primary and support activities that an organization uses in order to create value in the form of products or services. In this case, the management introduces many primary and support activities such as

refurbishing the firms, advance baggage management technology, workforce training with latest technology and modernizing the aircraft fleet which adds value to its products and services hence providing a world class travel experience. (CRR Report American Airlines, 2017) (Principles of Management Version 3.0, 2018, p. 139). The American airlines structure has a lean tall structure with discrete hierarchy levels with top level management guiding and remaining activities are departmentalized which further increases the efficiency of the organization. In order to deal with any crisis of the airline such as lost baggage, foul weather or delayed connections, this company also has a set of emergency plans and protocols to regularly monitor the performance. In the event of any such critical deadlock situation, employees ensure to serve the passengers with utmost care.

Section 3:

What interest you about the company?

The concept of unity in diversity interest me a lot about the organization, where people from different races, genders and ethnicities, collectively work together for a company's growth. Also, their strategies are focused, and they try to serve their customers to the best by providing an excellent inflight experience are the significance factors of the company. They also take proper measures to conserve the environment which is a great idea. The employee care and recognition is also another thing that interests me. The employees are given freedom to act accordingly in the times of crisis and are rewarded for going above and beyond to ensure the best customer service possible.

If you are not working in this organization, do you think you would prefer to work and why?

I am currently not employed in this organization, but if I am given an opportunity then I would definitely prefer to work under such phenomenal leadership. The culture is employee centric and so employees feel comfortable working here as they respect each and every employee's views and opinions, also give them a chance to think out of the box and accept their suggestions. The management also motivates and recognizes their work by providing employee reward program. Many benefits are given for employees and their families. Their team-oriented culture is another factor which wants me to work there

because while working in teams it assists you to learn better from others as well you can help others. The diversity and inclusiveness makes me feel good and positive going to which in-turn would motivate me to give my best at a job. The culture of the company is what I always wanted to be a part of while working and this would be a great opportunity for me. Also working with the company would allow me to see the impact that my work is creating more transparently.

Given a choice, what will you like to change in the company and why?

In my opinion, if I am given a chance, I would improve the growth abroad and connectivity further by investing in foreign ventures. Compared with the competitors American Airlines has fewer investments and tie ups with the global airlines. Improving on this would provide an edge to the company. As the financial situation is not the greatest, I would invest time, money and resources to find where the company is lacking and try to maximize the profit. Apart from the growth abroad the company also has to concentrate on the growth in the us. Capturing the market share is the aspect, I think that the company should focus on for doing so. Investing in non profitable ventures is a good way to achieve that. It also needs to invest on increasing the air traffic in the currently lower traffic area. It should also focus on retiring the older planes and investing in the newer planes which would allow them to offer much better premium offerings. Discussing about the premium offerings the biggest complaint I came across that the customers have about the company is the food. Improving on this would enhance the customer experience and would earn more loyal customers to the company.

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