Executive Summary

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MBA 620: Measuring Success in an Organization

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In this executive summary, we will reexamine the situation and recommend the acquisition of either or both companies. We will provide a data analysis on the two airlines considered and justify our recommendations for the acquisition.

Situation Assessment

TransGlobal airline is currently 2nd in both U.S. market share and global market share. They have 27% annual customer growth and has a strong reputation in U.S. Their gross revenue is at $20.683 billion and net income of $2.099 billion. They currently have 88 new aircraft delivered during the year with an average age of 13 years.

The current goal for TransGlobal airlines includes expanding their number of aircrafts to include those with capacities of less than 70. They would like to reach net-zero carbon footprint by 2075 and accelerate adoption of fuel-efficient aircraft and alternative fuels. The rationale to require Company A and B will help boost presence in the Caribbean and Florida area. Obtaining these chartered companies will also increase our presence in chartered flights for luxury vacations using light aircrafts. Obtaining a company that’s been known to have a great place to work at will also increase our ranking of best places to work and therefore attract better employees.

External analysis shows that TransGlobal is working under the conditions of rising costs in fuel and inflation. Inflation, supply chain disruption, and the Russian-Ukraine war are all economical factor that’s affecting the airline business (Statista, 2022). The consumer price index for airline tickets has increased by 25%, outpacing inflation of 8%. This has been the largest jump since 1989 (Holzhauer, 2022). This price increased has changed consumer's purchasing ability and traveling patterns.

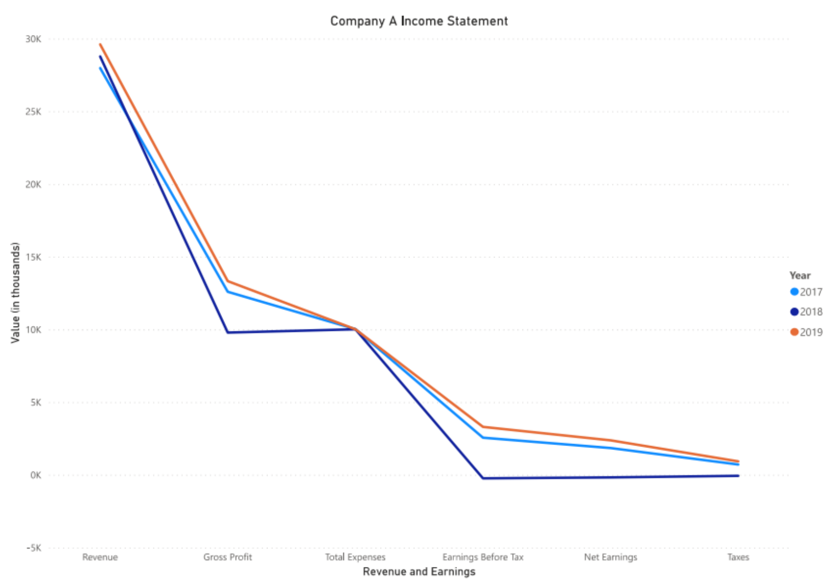
According to an article written by BCG (Wade, Topalova, Boutin, Jhunjhunwala, Loh, Oertzen, Ukon, & Wise, 2020), one of seven trends that will reshape the airline industry is customer experiences. Other industries have created more customizable, streamlined, and personalized customer experience whereas airlines are still lagging. We could use data analytics to personalize the customer's trip. If the customer missed a flight, data analytics could be used to notify the customer of the incident and options they have. These options include selecting the next flight themselves or hotel options for the night. These are extra incentives for customers but the most important thing about being customer-focused is customer satisfaction. Currently TransGlobal Airlines has an 80% customer retention and 27% annual growth. We can measure this customer growth and retention with consideration of the economic conditions and in comparison, to the industry standard.

Data and Analysis

Gross revenue is the total amount of sales a company can bring whereas gross profits is the gross revenue minus cost of goods sold from that revenue (Kindness, 2022). Net earnings are revenues minus all expenses like cost of goods sold, salaries and benefits, rent and overhead, depreciation and amortization, interest, and taxes (Kenton, 2021). We will be looking at the income statement of Company A and B from year 2017 to 2019 to compare its revenue, gross profit, total expenses, earnings before taxes, net earnings, and taxes. Figure 1 shows a line graph of Company A's income statement. We can see that 2019 was a much better year than the previous two years. We can also see that in 2018, Company A had more revenue than the previous year at $28,772,000 compared to $27,981,000 in 2017. But the gross profit for 2018 was only at $9,775,000 compared to $12,592,000 in 2017 and $13,295,000 in 2019. The cost of goods sold in 2018 was the most amount at $18,997,000 compared to $15,389,000 in 2017 and $16,285,000 in 2019. The total expenses for all 3 years were about the same so the net earnings for Company A in 2018 was -$170,000,000.

Figure 1.

Company A's Revenues and Earnings



The income statement from 2017-2019 from Company B can be seen with Figure 2. We can see that 2017 was the best year with the most revenue and most net earnings. 2019 had the second-best revenue at $27,091,000 but almost the same net earnings as 2018. The net earnings for Company B in 2018 was -$529,000,000 and $79,000,000 in 2019. The total expenses for all three years are relatively the same with $9,778,000 in 2017, $8,560,000 in 2018, and $8,840,000 in 2019 but the costs of goods sold was higher in 2018 and 2019. The costs of goods sold in 2017 was $15,389,000, $18,411,000 in 2018, and $18,151,000 in 2019.

Figure 2.

Company B's Revenues and Earnings

According to our balanced scorecard, Company A has strategic objectives of increasing annual growth, market share, employee retention, and public image. These are all achievable by increasing incentives for employees to stay like offering secondary degrees and creating a friendly, inclusive work environment. Company A already has great customer service and reputation and only needs to improve on awareness and attracting younger customers. We can do this with social media marketing to attract younger customers and improve amenities like frequent flier programs.

Company B's scorecards major downfall is improving their public image. They recently had to ground some airplanes and had some violations. In addition, the management would like to change their image from cheap travel to being an innovator. This could be costly to change the image. Company B also needs improvements in cleanliness, amenities, and employee retention.

Recommendation

Happy employees create a happy environment and therefore allows for happy customers and profits (Elior UK, 2013). As part of TransGlobal 2030 vision, a SMART goal is having happy employees that feels they have workplace inequities and inclusive environment. Surveys can be used to ask whether the employees are happy and how their work environment could be better. Offers of higher education and training for employees could be given so it can increase loyalty and satisfaction. Acquiring Company A will help foster our image of luxury traveling and positive customer service. Company A has been known to treat customers as first-class without the first-class prices.

Acquiring Company A is achievable as their only complains has been cosmetics and advertisement. They have very positive customer service and retention. Company B's issue can be too costly and will take a lot of money in regards to the image, and possible lawsuits from the grounding and FAA violations.

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