

Strategic business management and planning in easyjet



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EXECUTIVE SUMMARY: The main objective of topic is the critically evaluate future challenges of EasyJet in the 21st century and recommendation to achieve the goals in future.

1. Introduction:

Easy jet is the leading cheapest flight service company in European Airline Companies. The mission of the company is " to offer Low cost airline service to the masses". Easyjet was established by Sir Stelios Haji-Ioannou in 1995 . Easy jet is the fourth leading European airline, the UK's leading budget airline and one that contests the 'number two LCC in Europe. Easyjet board had been disagreement of extension with his creator sir stellio's since last two years (daily mail 2010). Newly joined(2010, July 14th) chief executive Carolyn McCall with aid of easy jet chairman sir mike rake made a deal with brand licensing (daily mail 2010). She is very fresh for airline industry. Now I am going to critically evaluate how she is going to face future challenges ahead of her.

Source: Map of the destination points [www. easyjet. com](http://www.easyjet.com)

1. a) Strategy: in art of war book sun Tzu giving answer for what is strategy? A way of thinking; an aware and deliberate process; a concentrated implementation technique; the art of ensuring future success. According to Mintzberg H., (1994)" Strategy is a unified, comprehensive, and integrated plan and designed to ensure that the basic objectives of the enterprise are achieved". A strategy or general plan of action might be formulated for broad, long-term, corporate goals and objectives, for more specific business unit goals and objectives.

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Easy jet believes that people make the difference. It's through the efforts of all our people to deliver our four strategic priorities such as Safety is our No. 1 priority, Build Europe's No. 1 air transport network, Develop a winning customer proposition, Deliver low cost and maximise margins that we will realise our vision: to become the best low fares airline in the world.(Easyjet 2009)

1. b) Strategic Business planning: Strategic business planning serves to bridge the gap between development goals and planning for implementation of specific tactical measure.

Internationalization: Welch and Luostarinen (1988), defined as 'the process of increasing involvement in international markets'.

Strategic management: " Strategic management is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i. e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." (Lamb, 1984: ix).

Internationalization and strategic management: Welch and Welch (1996) have tried to develop a longitudinal theoretical model to identify the interrelationships between the two flows of international business inquiry, that is, They give meaning of 'strategic foundations' (knowledge, skills and <https://assignbuster.com/strategic-business-management-and-planning-in-easyjet/>

experience, networks, etc.) of the enterprise and its external environment, and identify planned and unplanned routes to internationalization, with networking important in both. They conclude by calling for 'empirical studies that specifically focus on strategy and internationalization Process interconnections' (Welch and Welch, 1996: 25).

Bell et al (1998): Internationalization and Business Strategy

EasyJet have influenced by both internal and external environment in any strong grow stage.

Internal environment:

decision-maker characteristics has more influence in easyjet.

We can say particularly sir stellos founder of easyjet and who has 38% share in easyjet. He had been last two years dispute with easy jet board for expansion of easy jet. (Thisismoney, 2010). he has no problem with strategy of easy jet.

EasyJet announced that it had agreed to purchase the entire share capital of GB Airways from the Bland Group. The deal was worth £103. 5 million and was used to expand EasyJet operations at London Gatwick Airport (anna. euro, 2007)

Easyjet has grown internationally acquiring GB airways on 25 october 2007. Sir stellos not happy with board accounting policy. He didn't like approach of board " single cash generating unit". He insisted to be a he macro-economic climate" to benefit of all shareholder.(abtn 2009)

" EasyJet had reached an agreement on the pace of growth with Sir Stelios after he had questioned the strategy. The LCC now plans to increase future capacity by 7.5% per annum, following yearly increases of 15% from 2005 to 2008 and will increase its fleet to 207 aircraft by 2012. Sir Stelios declared himself " a lot happier" with the carrier's shift to a " more modest growth strategy" and insisted it was more resilient than that of Ryanair, which cancelled a large order with Boeing in 2009, though it will continue to receive aircraft from previous orders for several years to come". then he changed his mind and resign from the board on may 2010 and again start his backward, too much over speed of growth plan(capa 2010)

Easy-jet influence by management competencies:

No stability management in easyjet due to the action of sir stellos .

management changes four year who worked hardly to develop the company

Andy Harrison punished by sir stellos who has more share in the company.

Sir stellos concentrated on account department he changed account

management people. The shake-up will result in all three of the company's

top jobs changing within the space of a year, following the departure in May

of Jeff Carr, Easyjet's chief financial officer(uk. yahoo, 2009)& .(abtn 2009)

<http://uk.finance.yahoo.com/news/easyjet-unveils-management-shake-up-ftimes-9106396619e0.html>

rapid management change create the conflict between management and employee

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External environment:

Global influence:

(Richard L. D, aft 1997) explaining that No company out-of-the-way from global influence. All international company influenced by global governing body.

OPEC's (Organization of the Petroleum Exporting Countries) set prices of oil and gasoline. OPEC's globally influencing the airline industry.(tucker l, 2008)

CAA (Civil Aviation Authority) and IATA (International Air Transport

Association) those bodies regulating the airline industry all over world.

BAA is a leading airport monopoly company. We own six airports in the UK including the largest, London Heathrow, and we have interests in a number of others overseas.

IATA and CAA fixing or reviewing price fare the airlines(price regulation).

EasyJet Claims that (CAA)Regulator Favoured BAA Over Fees and supporting monopoly company(gardian, 2009 pg 28)

Global warming:

Global warming refers to the documented historical warming of the Earth's surface based upon worldwide temperature records that have been maintained by humans since the 1880s. Its is the combined result of Anthropogenic (Human-Caused) emissions of greenhouse gases and solar irradiance in exchange According To The World Meteorological Organization (WMO), The Decade Of The 2000s (2000-2009) Is the warmest one record.

The global mean surface temperature for 2009 IS Currently Estimated at 0.

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44 ° C/0. 79 ° F above-the 1961-1990 Annual average of 14. 00 ° F C/57. 20 (Ecoearth2009),

Volcanic ash cloud: Global warming may prompt more "hazardous" geological events such as volcanoes, earthquakes and landslides, scientists have warned- Prof McGuire (telegraph2010)

acid rain: volcanic explosion can change the Earth's climate both for short periods and long periods. Volcanoes that release large amounts of sulfur compounds as sulfur oxide or sulfur dioxide in the atmosphere more strongly than those that eject just dust. The sulfur compounds are gases that rise easily into the stratosphere. Once there, they combine with water (limited) available to form a mist of fine droplets of sulfuric acid (volcanoes 2010)

Andy Harrison said that " Easy Jet is planning to cut CO2 emissions by 50% by 2015. The aviation industry have an excellent record in reducing the environmental footprint of aircraft. Today's aircraft are typically 70% cleaner and 75% quieter than their 1960s counterparts. Now we are planning the next generation that will help towards taking the plane out of the emissions equation. Easy Jet is already setting the environmental standard in the airline industry. Our fleet of 131 aircraft has an average age of only 2. 3 years - the youngest of any major airline in Europe. We have recently called for over 700 of the dirtiest aircraft to be banned from Europe's skies" (ecojet2010)

Ash cloud crisis:

Andy Harrison gave Q3-IMS-2010-Analyst-presentation-final report saying that how global warming affected the easyjet limited.

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Significant impact on results from volcanic ash

7, 000 flights cancelled impacting one million passengers

Estimated cost and lost contribution £65 million

Future challenges on 21st century:

Drucker p., (2007) observe that In the middle of 19th century they exposed to many radical changes as we compare to this transition period. As during world warII many

structural changes have been occured, then here comes the second industrial revolution started. According to Drucker argumentation, the

future is not soo far because for the formation of business strategy there are five social and political certaintiesThe collapse of the birthrate in the developed world, changes in the distribution of disposable income and a redefinition of corporate performance, international competitiveness and the rising conflict between economic and political reality. Then he looks at the leadership requirements, the characteristics of information revolution, Productivity of knowledge worker and finally their responsibilities in the system management.

Rivals for EasyJet - now airberlin grown as a competitor in eroupe region looking share price movement on 3rd November 2010(capa2010a).

The Challenge Facing (mccall) tougher has-been made by exchange at Ryanair CEO Michael O'Leary WHERE IS planning a move to larger Airports

near city centers, scrapping A Strategy is based Solely less-costly, out-of-town airports (businessweek2010)

Stability management competence frame in EasyJet.

" McCall will also want more boardroom stability following a spate of resignations. Chairman Colin Chandler and Finance Director Jeff Carr resigned in 2009, Stelios and his nominee Bob Rothenberg stepped down in May and Cor Vrieswijk, the operations chief, quit two weeks ago after just 3 1/2 years at the company" (businessweek, 2010)

There is a some money changes in management last two years.

Globalization impact: The impact of globalization will lead to make a major challenge strategically to culture and language in the environment business

Managing Across borders: The main creteria of an organisation is to survive in the 21st century and to succeed the workforce in business environment.

Revolution of Information Technology: The usage of internet, e-commerce and wireless are supported by a new world of infrastructure.

Security issues and increase demand for knowledge worker in an organizations.

Leadership Challenges

" Generational leadership - managing an older workforce, as well as the digital generation

Sustainability - Defending today's environment and addressing consumers' needs

The developing world - responding to a changing economy

Diversity - leading a workforce comprising ethnic minorities, mature workers, etc

Globalisation - managing an extended workforce, and social responsibility."

Organizations facing rapid change, unprecedented global competition, unpredictability and the constant threat of acquisition. At the same time, it is becoming increasingly aware of corporate social responsibility and global sustainability challenges in the broad sense. The 21st century is one in which we will need a " servant leaders more than ever. It is difficult, fascinating and full of possibilities. If organizations are to thrive and survive, they must innovate. They need all the energy and creativity of their people. This requires a revolution in culture in the workplace - the workplace that limit, deter the poor and those that release energy, enterprise and spirit. They also need to be led by world citizens. The best people want to work for ethical organizations that meet the needs of society and avoid prejudice.

Sustainability focus on environment, charity corporate and social safety in EasyJet:

Environment: Easyjet is giving high priority for environment safety. To be environmentally efficient in the air and on the ground as well. To lead shapes a greener future for aviation.

Charity:

EasyJet supports a 'charity of the year'. The airline gives a corporate donation and provides access to staff and passengers to raise funds, and promotes the charity through brand awareness.

Following a Europe-wide staff vote, EasyJet is proud to announce that our current 'charity of the year' is the Alzheimer's Society.

Corporate and social Safety:

Safety is our first priority for both customers and staffs. Easyjet aims to provide its customers with safe, good value, point to point air services and believes in the goal of excellence of achievement in all its activities.

Easyjet sees striving for excellence in environmental, social and ethical activities as a key behaviour for a successful and sustainable business

Recommendation:

Entrepreneur: the person who has great vision with innovation with optimistic personality. An entrepreneur is a person in charge of creating value, not only for him, but also for his investors, clients and for the society

Entrepreneurship: entrepreneurship, which is defined as the pursuit of opportunities, acquisition of resources, construction of a team and discovery of markets adapted to offer the specific product (Dr. Zacharakis A, 2009)

Why it is important for Entrepreneurship:

It's very important for global entrepreneurship to monitor the projects over all.

Loyalty to customer, employee and government also paying right tax.

To compete and set the goals to meet the globalization competitor

To develop a acquire company.

Bell et al.,(1998) state that organic growth and acquisition are good tool to make organization successful in internationally with entrepreneurship skill of management.

Strategy: 1

Diversification strategy:

Pils F (2009) discussing about Diversification, impact of diversification, advantage of diversification . diversification for company is a form of corporate strategy . It aims to increase profitability through higher sales volume resulting from new products and new markets. Diversification can take place either at the business unit or enterprise level. At the business unit, it is more likely to develop into a new segment of an industry where the company is already at the firm level, very interesting to enter a promising venture outside the scope of Business Unit.

Sir stellios have been insisting about future of fleet expansion. When the fleet and the route to increase, we have more customers in the summer (six months) and festivals time, remaining six months, flights are in the ground(Businessweek2010).

My opinion sir Stellos has matured person in airline industry and also Stellos Haji-Ioannou is a member of the New Enterprise, a group established to advise the Conservative Party on business policy (Market Watch 2007). He is not against strategy of the company but against fleet expansion (Capa 2010). So McCall can go for other sector diversification expect fleet.

She has to consider about rivals also, when rivals increasing the fleet and route, McCall also has go for it. Otherwise she can't compete with her rivals. Now easyJet share growing. Now main rival of EasyJet is Ryanair share reduced in Europe. (Capa 2010a).

Good news for easyjet:

Ryanair, the second airline in the United Kingdom, announced its intention to reduce the ability of winter in the UK by 16% compared to November of 2010, outlining the decision will result in the loss of over 2 million Passengers at airports across the UK during the winter of 2010 on a year-on-year basis. (Capa 2010b).

New deal with Sir Stellos brand licensing, easy brand not for flight, EasyJet can use their purpose as well. New deal creates a lot opportunity for new CEO Carolyn McCall. She can go for cobranding, removing ancillary revenues (the so-called 75:25 rule), "freedom for EasyJet to lease-in non EasyJet-branded aircraft to meet operational requirements within annual limits without the need for EasyJet Group consent", new product and new services. (Capa 2010c).

Strategy 2: According to Sun Tzu art of war: "If your enemy is secure at all points, be prepared for him. If he is in superior strength, evade him. If your <https://assignbuster.com/strategic-business-management-and-planning-in-easyjet/>

opponent is temperamental, seek to irritate him. Pretend to be weak, that he may grow arrogant."

Strategy: 2 divided board's strategy. It's not a best strategy - not when the dissenter controls nearly 40% of the voting stock (capa2010)

Sir Stelios is used to make his way. He now argues for drawing on growth. In some ways it may be perfectly justified in seeking to improve his win by EasyJet, a company that has not paid any dividends money - although it has generated considerable revenue from the IPO, as well as royalty payments. In this regard, his argument against the expansion only up batteries if a more static fleet would turn into immediate dividends - and will continue to provide under Sir Stelios strategy " slow growth. He probably did his homework, he believes (and other shareholders) would be the winners, if not in the long term, at least in the coming months. However, so far it seems to be still in the minority, as the company continues to occur. If following a public campaign - as now seems likely - it will surely be disruptive. A public war is not what every company needs. The company is difficult enough as it is. The board of directors and chief executive officer of the airline however insist that the growth agenda had been agreed before Stelios commonly alleged change 'tack - probably because of the difficult situation. The Chairman, Sir Michael Rake, in a letter to shareholders on 18-May-2010, said: " The Board is both surprised and disappointed to find itself in a public debate over strategy as Sir Stelios and I had agreed principles of engagement in May 2009 specifically to avoid such situations. In the view of the Board there are simply no grounds for a dispute."

New CEO insisting Easyjet never paid dividend. Stelios rising question our rivals paying the dividend, why can't we do that? (Business week, 2010)

Strategy 3:

(osama el kadi 2008) strategizing using sun tzu art war.

About stunning growth : strategizing the easyjet poces of negotiations, sales and innovations. easy can develop the company international level with most successful.

strategizing

Wynn Ellis said that" EasyJet still has capacity to enlarge capacity 5 percent to 10 percent a year, an analyst at Numis Securities in London with a hold recommendation on the stock. McCall needs to weigh the interests of all shareholders in making her decisions and be prepared to stand up to Stelios if necessary. The U. K. market may be relatively mature but there are opportunities in overseas markets." (Business week, 2010)

Easy jet share growing well in Europe (capa2010a). easyJet shares were up 1. 3%, while airberlin was up 1. 2%. Ryanair shares lost 0. 4%, with the carrier reporting strong traffic growth. Aer Lingus shares dropped 1. 3%. So mccall strategizing the company to make stunning growth using this method.

Conclusion:

After resovling the dispute of brand licencing with sir stelios , carolyn mccall got more support from shareholder; because the deal creates more corporate-governance flexibility in EasyJet decision making in future. She got

bit relaxed achieveing deal with founder easy jet . now she has to concentrate set up the managemtment competence framework. If she follow servent leadership at this present. she can resolve all the conflict in organization easily get the way to obtain new corporate strategy to achive vision with orgnational people. as I discussed in recommendation she can choose any one the strategy or both. My opinion she can go for diverfication and strategizing. because she is has strong negotion power(Sun Tzu: " The ultimate art of war is to restrain the opponent without fighting."), sales technique (I can see her ability from gmg grop development , her vission and care about sustainability(gardian, 2010)) and innovation. finally: mccall has to have answer for this question, what makes a business functioning in this sector victorious? While deciding diversification.

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Biography:

Suntzu ' art of war'