

Lufthansa international strategy



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Based in Germany Lufthansa is one of the biggest carriers in Europe. It has chosen the transnational strategy through which the company seeks to achieve global recognition. As any other business Lufthansa needed to expand outside Germany, its market was saturated and they needed room for expansion. Lufthansa Transnational strategy has been possible by the alliances with other carriers, great customer service and other partnerships. Lufthansa uses this strategy to continue with their strategic goals to become the top leader in Europe.

2. What means has it used to expand internationally?

In order to expand internationally Lufthansa has created strategic alliances with membership Star Alliance which is now the biggest of the global airlines alliances. The start Alliance has 28 members that include its five founders, Air Canada, Lufthansa, Thai airways, United Airlines and Scandinavian Airlines (Star Alliance, Par. 3. 2010). This alliance has allowed Lufthansa the opportunity to reduce cost and resources, by sharing installation with airlines partners, this type of resource sharing has lead to be more efficiently and gaining higher profits. This alliance has also given the opportunity to Lufthansa to enter new markets without having to invest vast amounts of money and not facing the risk of market entry. Lufthansa is doing a great job but acquiring smaller carriers and creating alliances with airlines to open is flying destinations. Lufthansa enter the American market by the joining of Continental Airlines to the Star Alliance. Having more destinations in the world helps Lufthansa to be in competitive advantage. Lufthansa also has partnerships with airlines in India and China which open additional market expansion.

3. Discuss the elements and objectives of Lufthansa's cooperative strategy.

Lufthansa's set courses and objectives are sustainable, profitable growth. This principle of sustainability to strategic decisions regarding financial stability, value-based management, business development, expansion, competitive advantage, and value to customers all encompass the viable recognition of a cooperative strategy in many of the areas. The Group uses a network cooperative strategy that allows them to form multiple partnerships with the members of Star Alliance, its partnerships from the different segments in the Lufthansa group, and from its subsidiaries and associated companies within its group. Lufthansa is involved with a number of cooperative arrangements. These arrangements allow Lufthansa to serve their customers better than their competitor and keep their customers within a certain network.

Lufthansa's strategy for these actions has derived a collaborative advantage by combining resources and capabilities with their alliances and partners to offer their customers more flights, better service, more destinations, better flight connections, and other needs within the passenger airline segment. The joint venture with Star Alliance has created a legally independent company that shares some of their resources and capabilities to develop competitive advantage in the passenger airline market globally. This venture has allowed Lufthansa to strengthen its network in the transatlantic traffic by partnering with Star Alliance members like Continental Airlines, United Airlines, and Air Canada. Lufthansa has also used an equity strategic alliance with its new partners Brussels Airlines and Austrian Airlines. This strategy has allowed Lufthansa to increase its place in Africa and Eastern Europe.

Thus, these networks have been built to exploit the economies that exist between all the partnerships and have gained Lufthansa the ability gain shared objectives from these partnerships.

4. Describe the uncertainties and challenges related to operating beyond the company's boundaries.

There are risks in operating beyond the company's boundaries that can make the expansions difficult to implement and manage. Lufthansa faces the challenges and risks for under-performing markets that they have entered. The economy recovery in the airline industry is still uncertain and may lead to continued downturn in demand in the air traffic sector.

It is important that Lufthansa ensures that they are taking considerable steps towards any needed restructuring so that these airlines can stay profitable and competitive in the industry. If weak demands persist, Lufthansa's business segments of the Group will have to consistently review their capacities and cost structures and adjust them accordingly to the respected markets. The uncertainty of Lufthansa's financial independence could be a factor if their financial structure does not respond to the weaker finances of their acquired companies. Another risk could be any instability in a national government within any of the homes of its acquisitions or partners. These risks could be economic risks and uncertainty from government regulations, conflicting, legal authorities, or corruption, and even the possible taken over of Lufthansa's asset in these countries.

5. Describe the potential risk of cooperative strategies.

Lufthansa is of course liable to entrepreneurial and industry-specific risks. They are aware of specific risk by competitors and possibly partnerships and alliances. These risks can result in a partner acting opportunistically. This can happen if contracts fail to prevent this action or when alliances are based on false motives and notions. The commitment to form as an alliance to exploit core competencies, synergies can actually be cover for a company to try and gain as much knowledge as possible from the other firm. Another risk can be misrepresentations of the core competencies a firm claims to bring into the partnership. Another could be a firm failing to make available its resources and capabilities that is brought into the cooperative strategy. Finally, a risk can arise if one of the partners does not make the necessary investments to make the development of a service or product that was to be developed for the purpose of the alliance. It will be important for Lufthansa Group to continue with certain requirements and conditions in regards to searching for suitable partners in order to improve their position in key markets.

6. Explain the use of organizational structure and controls to effectively support Lufthansa's strategy.

The strategy of Lufthansa is focused at profitable growth, and follows a route toward sustainable corporate development and value creation. Lufthansas uses an organizational structure and controls to operate a highly diverse and decentralized segment. This structure consists of separate businesses and profits centers that a separate management and supervisory structures.

Lufthansa operates in five business segments. The Executive Board is responsible for managing the Company; it defines its strategic directions and

aims for sustainable growth in its value. The four areas of responsibility are a reflection of Lufthansa's goal towards a group of largely independent airlines. Each individual business segment runs as a separate Group company with their own profit and loss and operating responsibilities. This structure is audited and contains a centralized financial reporting system that allows information between the segments and financial planning between the Groups. The strategic business unit (SBU) form is used by Lufthansa regarding how they operate their Group and acquisitions. The segments with Lufthansa are related in terms of shared products and markets and help to develop economies of scope and scale. They are financially controlled by headquarters and evaluated consistently to ensure performance and profitability within the Group. Lufthansa's financial strategy is aimed at securing a freedom of action for the Group in regards to its operations, finances, and strategic performance. The acquisitions of Lufthansa are managed as largely autonomous companies within the group. This allows for the airlines to keep their identity and brand. The structure allows synergies to be realized and the companies support from Lufthansa in regards to stability and resources.

7. Describe what strategy leadership actions should be recommended for developing human capital at Lufthansa.

Lufthansa should continue to take steps in the investment of developing and training staff and management to ensure that the highest knowledge and skills are maintained within the Group and the ever changing and additions of partnerships, alliances and acquisitions. It is important that Lufthansa's strategic leadership creates a culture for continued training and

development which could help the firm's continued success. Effective training and development can help the Group in development of effective strategic leaders within the firm. Investment of programs in different forms of development can build knowledge and skills, motivate employees, raise internal core values and moral and results of higher promotion of the firm's vision and organizational goals. Strategic leaders must gain their own skills in order to implement and help human capital develop in the firm. Lufthansa is operating such a diverse firm which will need their human capital investments to succeed in order for a workforce capable of learning and adapting to the ever changing dimensions within the firm. In addition, learning and building knowledge are important in creating innovations and improvements for a firm.

8. Describe what strategic leadership actions should be recommended for establishing an effective organizational culture at Lufthansa.

Lufthansa was once known for its strong culture, based on pride and a positive image within the industry pertaining to engineering competencies. But in 2001, the pilots strike showed the changes within the company and the dissatisfaction of the employees toward the company's way that they appreciated their employees. Lufthansa's organizational structure has changed the firm's culture and is vital that continued actions and changes are implemented to reinforce a new culture as needed. Strategic leadership in top management must drive a positive outlook on internal changes and communicate to their employees what objectives and goals are to be implemented. The leadership should be aware of the diversity within the firm's segments and establish tailored messages that will fit the different the

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different cultures within the firm. Leadership should involve all employees to be part of problem solutions within their core positions, people should be selected who values are desired for the firm, effective performance and reward programs should be implemented to encourage high performance and standards. In order for any firm to have an effective organizational culture, the CEO and its top management must be the leaders in driving the changes needed within. Leaders must lead by example, portray an active member of the firm's missions and visions, emphasis good ethical and moral practices within the organization, and encourage people at all organizational levels to act ethically when doing what is necessary to implement company strategies.

9. Describe what strategic leadership actions should be recommended for promoting an entrepreneurial mind set at Lufthansa.

Lufthansa should continue to strategically lead its acquisitions by allowing them to retain their identities and brands and be allowed continued operations with limited control. This can help maintain the acquired airline's strength in their markets and continued goals of improvement. These airlines can continue to drive for innovation and entrepreneurial in markets that they access to from this acquisition. The firm should continue to spend in the development and training of their staff and managers. They should also embrace in strategic entrepreneurship in focusing on finding opportunities on its external environment that the firm can exploit through innovations. With the new structures, added staff, international entrance, and the diversity that Lufthansa is experiencing should be more than enough actions for strategic leadership to develop and promote entrepreneurial mind-sets in <https://assignbuster.com/lufthansa-international-strategy/>

the firm's internal environment. Lufthansa should ensure that all segments are given the right resources, accesses to new knowledge, support of R&D, the means to foster and support innovations, and opportunities to be rewarded for efforts. Lufthansa will need to execute a culture that will allow its employees to take risks in internal corporate ventures towards innovations and inventions. Whether innovations come from autonomous or induced strategic behavior, Lufthansa should make the effort to establish and promote a culture internally that produces incremental and radical innovations when using their R&D activities. It is significant that Lufthansa maintain to support and offer incentives with R&D innovations and inventions within all of their segments. This support can produce results which can help gain and sustain competitive advantages in their home market and internationally.

10. Describe what strategic leadership actions should be recommended for reducing complexity at Lufthansa.

Lufthansa's top management leadership requires knowledge of all segments and division's internal operational positions within the Group. Top management's expertise and knowledge are needed in order to deal with the entire firm's stakeholders as well as competition within the markets. In regards to Lufthansa's consolidations within the European air transport industry and its alliance and partnerships, developing a heterogeneous top management team would enable the firm to take advantage of internal knowledge, expertise, education, and different functional backgrounds and cultures from their staff. The complexity of challenges and the need for substantial amounts of information and knowledge will require strategic

leadership from Lufthansa's top management. The team can be used to make strategic decisions along with the CEO and ensure that the firm's strategies are followed in the decisions. Leadership can help to monitor and control the different segments within Lufthansa's complex structures. Operating in a high-priced competitive market, Lufthansa's segments all require different cost structures and financial support. It is important that Lufthansa operates at a course set for sustainable, profitable growth. The Group must also monitor all acquisitions, partnerships, and alliances to ensure that any changes are needed within the business model due to underperformance, conflict, or changes in group. Current forecast assume that the economic recession will improve however many challenges still remain. Strategic leadership from top management should continue to monitor market developments closely, ensure continued financial flexibility, and take any steps necessary when dealing with partners and alliances regarding the Groups course of business. The continued challenges of the global economics in fluctuations of oil prices, structural shifts in booking patterns and tough competition, increasing no- frills airlines, in the European traffic especially, has lead to complex situations that Lufthansa must address. Strategic leadership must continue to maintain stability at times of crisis and focus on achieving above-average returns when the economy recovers.