

Strategic leadership actions

[Business](#), [Strategy](#)



- Lufthansa June 19, 2010 BUS 499 Lufthansa Case Professor Sliben 1.

Describe the type of international strategy the company has chosen. The type of international strategy that has been chosen by Lufthansa involves four phases, where the first three results to a global strategy and the final phase is a strategy monitoring system. The first phase is project definition and mobilization, wherein the company reviews its project definition, builds up a common understanding, and prepares all players for the forthcoming project. The second phase is strategic plan formulation, where the company analyzes its internal and external environment, develops its vision and mission statements, and formulates corporate goals and objectives. Its findings are then summarized in the corporate strategic plan, while the implementation plan outlines ways of realizing the future global strategy. The next phase is the strategic planning and implementation, where the company translates the strategic plan into departmental plans, designs organizational structures in line with corporate strategy, and defines resource requirements. In addition, a departmental communication plan is drawn up, outlining ways of publicizing the corporate strategy and securing employee buy-in. These three phases build Lufthansa's global strategy, and are responsible for the company's aviation success. In line with this, Lufthansa has made major efforts to improve their international competitiveness, which include a series of sustained cost reduction, restructuring measures, and a focus on the core business of passenger airlines. In addition, the company's focus is on growth efforts in sustaining increase in company value, through using the Cash-Value-Added concept, which brought financial improvement and sustenance to the company.

Another crucial strategy for the company's profitable growth is by creating their own financial strategy, which aims high for a high level of financial flexibility and a solid corporate credit-worthiness, such that it is the only European airline with an "Investment Grade" ranking from the rating agencies Moody's and Standard & Poor's. Its minimum liquidity is its essential point, having reserves of 2 billion Euros in order to secure funds requirement against cyclical fluctuations and volatile financial markets. In sustaining and strengthening Lufthansa's capital structure, the company is creating a solid basis for its long-term growth, to maintain its course in a difficult environment, and to be able to react appropriately to any change. Their overall strategy shows its desire to further improve and innovate to be able to efficiently and effectively render service to its consumers. Also, Lufthansa's strategies have been effective in making sure the financial needs of the company, which is the airline's primary goal. It has productively gained financial success through the implementation of its strategies, and contributed to the establishment of the company's superior reputation in the market.

2. Explain what means the company has used to expand internationally. Lufthansa has used a massive European and global expansion strategy since the 1980's is proved not to be viable due to the first Iraq war and reduced international air traffic.

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

4. Describe the uncertainties and challenges related to operating beyond the company's national boundaries. Competing in the international market will expose Lufthansa to greater cyclical risk as the company is no longer insulated within its national boundaries. Lufthansa has to address the political,

economical and social impact of foreign markets that influence its demand. This challenges Lufthansa to develop flexible production capabilities that can respond to fluctuations in demand. Uncertainties will also arise from international competitors. Due to price pressures and increasing rivalry, Lufthansa has to achieve greater cost efficiency in its business in order to compete against its international competitors.

5. Describe the potential risks of cooperative strategies. The risk of cooperative strategies involve the possibility of conflict between members, a longer decision-making process, participation of members required for success, extensive record keeping necessary, and less incentive to invest additional capital.

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

7. Describe what strategic leadership actions should be recommended for developing human capital at Lufthansa. The head of Lufthansa said that "human capital," is the real bottleneck in business. Whether in your small family business or global company human capital consists not only of the right employees but the right bosses. Whether you make money or not depends on your understanding of the systemic laws that apply not only to families and individuals but to corporations as well. A lack of understanding will sabotage any good intentions.

8. Describe what strategic leadership actions should be recommended for establishing an effective organizational culture at Lufthansa. There is a large consensus that corporate culture is going to be a determining factor in a company's success or failure in the next decade. Much has been made about the success of companies with strong cultures such as Toyota and Microsoft. Due to the present status of the global economy, many under performing companies

are struggling to look for answers that can help them perform. One of the debates is the what the ‘right corporate culture’ is and this is laden with traps where pressurized executives can buckle and give into ‘business trends’ instead of a carefully thought about list of values that is thoroughly implemented in the corporate consciousness. Humanity seeks foundations for stability; a set of timeless and changeless ideas of principles/values that can help guide decisions and become a guiding light for ideas. The unprecedented rate of change in the past few years have rendered companies with previously strong cultures obsolete due to the refusal of the ‘movers and shakers’ to move and shake to the changing world around them. This is why any top performing company/organization should never take its company culture for granted. Previous successes and hefty praise and coverage might instill in organizations the belief that their culture is the right one now and forever and they ignore early warning signs to a shift in their environment that signals a need for change. Thus, each organization must not only ensure that the culture is viable and can be sold to their employees but it has a mechanism for dealing with change and adapting to the external environment. This is also why a strong set of unshakable values must drive the culture since when the culture changes, the employees have these values to fall back to in times of crisis. The selection of values is important and cultures should be built upon them. ‘Catering to the needs of the customer’ and ‘Becoming a learning organization’ are such values. The latter should facilitate a participative culture where employees can question values and suggest different assumptions to such. To summarize, managers and leaders should keep past history in focus while ensuring that learning

and adaptation are taking place. 9. Describe what strategic leadership actions should be recommended for promoting an entrepreneurial mind-set at Lufthansa. 10. Describe what strategic leadership actions should be recommended for reducing complexity at Lufthansa. Collaborating with the Star Alliance could lead risks ranging from internal risks which deal with the relations between Lufthansa and the Star Alliance to External Risks which involves complexities due to external members such as customers and other alliance members. Lufthansa can reduce its internal risks by aligning its business objectives, product delivery process and infrastructure with those of Star Alliance. Strategic and cultural conflicts can be minimized by setting a common mission and vision, coming targets and aligned business planning.