American airlines evaluation and strategies for improvement term paper sample

Business, Company

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American Airlines (AA) is an airline company that operates with an extensive network in both domestic and international flights. Because of the extensive coverage of transportation in miles and their amount of revenue, it is the fifth largest airline company worldwide. AA currently accounts for 85 percent of the traffic at the Dallas/Fort Worth hub, but it also operates, although less extensively, at the Chicago O'Hare International Airport, Miami International Airport, Los Angeles International Airport, and the JFK Airport (Fuquay, 2011).

The company was started as the result of the conglomeration of 82 airlines in 1930, and it was formed as a brand supported by several independent carriers. Those carriers mainly focused on delivering mail within the US, but after 1934, AA changed ownership and began operating on routes for passenger transport. The idea was to operate and maintain revenue based on passenger transport only, and the AA was the first airline that offered the Admirals Club to their VIP passengers.

After World War II, the company implemented various strategies to gain trust from their passengers and offer new services. The company launched a transcontinental jet and implemented 24/7 coast-to-coast flights with their new Boeing 707 airplanes. Furthermore, AA invested in the jet engine airplanes to upgrade their fleet and offer passengers better safety and more efficiency in their services.

In 1973, AA was the first airline that employed a female pilot to fly the Boeing 727, thus promoting workplace equality (Bamber et al., 2009). The company remained competitive on the market because it was often the first major airline to implement positive changes that improved workplace productivity, gained trust from their employees, and offer their passengers new services. For example, they offered computer reservation systems, loyalty programs, and two-tier wage scales, and that form of competitive development initiation allowed AA to become and remain one of the leading airlines in the world.

Factors that Require Change

In 2001, AA negotiated a purchase of the Trans World Airlines (TWA), but the merger with TWA and the terrorist attack of 9/11 caused the AA to start losing money. Although the further negotiations suggested that the company was interested in developing a solution to wage and benefits issues for workers, the CEO at that time planned to award executive compensations, so he resigned when the union leaders became aware of that fact (Bamber et al., 2009). As a result of that incident, the attempt to gain trust from the workers and increase their productivity failed, and the AA did not show any positive improvement in regaining trust from their passengers.

The entire airline industry was provoked by the 9/11 terrorist attack, and the airlines in the US reported losing $30 billion, cutting 100, 000 jobs, and removing wages and benefits of the remaining workers (Bamber et al., 2009). Overall, the low morale of the remaining workers, the shortage of traffic controllers, amount of flight delays, and rising frustration of the AA customers are apparently the main reasons for concern that create an urgency to support change.

Evaluating the Current Situation

AA was constantly depicted as the weakest major airline since 2007. The company reported a profit in one quarter of 2007 and continued to lose approximately $4. 8 billion over a period of three and a half years; analysts expected that the company will continue to lose money until 2012 (Isidore & Ellis, 2011). The current situation for AA appears to be desperate. Reuters (2012) reports that the three main unions at AA are pressuring the company to start negotiating a merger with US Airways because the main plan of the AMR Corp. would cost the company too many jobs and resources in their opinion. The unions claim that a merger would save 6, 200 or more jobs that the AA was considering to cut for the purpose of achieving their plan to restructure as a standalone airline (Reuters, 2012). With pressure from both internal and external circumstances, AA will require a radical change starting from their mission statement to preserve the integrity and existence of the company.

Strategy Recommendations

The main objectives in goal setting for AA are currently revenue goals, employee goals, customer goals, and business goals. Goal setting is the first objective because the company must sort their internal differences as a priority over external circumstances. The management is required to set a realistic time period in which the company will cover its financial losses, expand the amount of their customers, increase workplace productivity and morale for their employees, and implement strategies that offer more beneficial services to their clients (Kotter & Cohen, 2002). Without that foundation of long-term goals, it will not be possible to implement productive short-term strategies.

The AA airlines will also require strong leadership to move through the transition stage successfully because the future state of the company will remain unclear and the employees will require strong leaders to stimulate workplace productivity and set requirements and examples of their expectations. Practicing innovative leadership is currently the main objective for AA because they need to deliver the needs and desires of both their employees and customers (Burke, 2002). Finally, improving communication and unifying the company in achieving its common goals are the key determinants that will allow AA to recuperate from its current situation.

Potential Obstacles and Solutions to Strategy Implementations

Pressure is a common obstacle to implementing business plans successfully, and AA is currently under both financial and union pressure. However, promoting a solid working environment is the first step that will sort out internal processes within the company. For example, changing policies regarding performance appraisals and providing additional training for the human resources department will enable the company to overcome any internal factors that are pressuring the management in making rash decisions at the moment (Burke, 2002). Although the financial situation is difficult for AA, there is no reason to fail and invest resources into their own workforce. With high motivation and morale from those actions, the company will be capable of directing more intangible resources towards reestablishing trust and improving customer services to increase their revenue.

Expected Results

The exact outcomes for any strategy remains unclear, but the main objectives of the company should serve as the points that will dictate the priorities and resource allocation across departments and actions. With proper resource management, it is expected that the AA will restructure itself over the course of 10 years, cover their financial losses, expand the amount of customers, improve services offered to customers, and create a high morale and motivation among its workforce. With clear mission statements, proper communication in translating the mission statement across organizational levels, and innovative solutions, AA is creating a fundamental base for future operations and improving their competitiveness on the market.

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