

Pakistan international airlines (pia) swot and pestle

[Environment](#), [Air](#)



INTRODUCTION

The main theme of this assignment is to critically analyse Pakistan International Airline and to appraise the level of effectiveness of the organisation. It includes strategic, financial and resource management analysis. This is carried out in three parts. Overall strategic position is scrutinized and external and internal environment is evaluated through different models such as SWOT and PESTLE STEEP analysis in the first part of an assignment. The second part is an overall review of human resource management in PIA and different approaches for their employee's retention and performance are thoroughly assessed as to point out their weaknesses and reasons for those flaws in overall system. The final part is the ratio analysis which helps in analysing the financial position of the business and impact of resource management decisions on organisation's growth and stability.

INTRODUCTION OF PIA:

Pakistan International Airlines Corporation (PIAC) is the premium airline of Pakistan with its head office on the grounds of Jinnah International Airport in Karachi. PIA is one of the largest airlines in Asia, operating scheduled services to 24 domestic destinations and 39 international destinations in 25 countries across Asia, Europe and North America. Its main bases are at Karachi, Lahore and Islamabad. (Khan A., 2008).

ANALYSIS OF RELATIONSHIP OF STRATEGIC LEVEL PLANNING AND LOWER LEVEL

Relationship between higher and lower levels of management is that Planning is done at higher level and execution is done by the lower level but the lower management is not involved in any decision making and planning in PIA. In fact its Lower management just plays role in gathering information for each step of strategic planning.

Mission Statement:

PIA Corporation has stated its mission statement as “ a symbol of national pride, aspired to be an airline of choice, operating profitably on modern commercial concepts and capable of competing with the best in the International as well as Domestic markets” (www. piac. com. pk, accessed date: 08/10/2010)

Mission statement of PIA is mentioned in a way that:

Employee team will contribute towards making PIA a global airline of choice through:

- Offering quality customer services and innovative products.
- Using state of art technologies.
- Ensuring cost effective measures in procurement and operations.
- Developing safety cultures.
- On Jan 15, 2010 strategic objectives of PIA were given in 33rd BOD meeting i. e.

- Introduction of new additional flights, real time tax revenue management system
- Introduction and success of Pakistan remittance initiative
- Increasing market share by 5 %
- Successful monitoring of routes

In PIA Mission and objectives are set by the higher management for the overall organization that provides track to middle and lower level employees so that they can bring the company at an established position because Higher management can not directly take part in improving customer satisfaction so team work is required from ticket reservation to landing of plane. Employees work in different teams such as office staff, ground staff, cabin crew and flight attendants as to perform day to day operations and to achieve overall objectives and mission.

2. 2 Environmental Scanning:

Goal achievement of any company is greatly influenced by the overall environment, so in PIA before doing strategic planning higher management also scans over all environment that involve internal and external environment both along with the analysis of firm's industry.

2. 3 Strategy Formulation:

Management at the top level of PIA utilizes all the information gathered by the lower management and formulate its strategies by using its strengths and availing its opportunities to overcome its weaknesses and threats so as to create competitive edge in the airline industry.

2. 4 Strategy Implementation:

Implementation in any organization involves restructuring of firm's resources and high level of motivation for lower and middle management. But in PIA strategy implementation becomes really complicated as they do not change their structures according to their new and modified strategies, and their employees are highly demotivated as their suggestions are not welcomed in formulating the strategies. Ultimately the strategies are misunderstood by them.

2. 5 Evaluation and Control:

Implementation of strategies are evaluated and controlled by PIA's higher management but they are very much rigid in making adjustments in their overall strategies.

2. 6 Vision:

PIA Corporation has stated its vision as " To be fiercely competitive, consistently exceeding customer expectations and be the choice employer that embraces modern technology in all spheres of its activities".

INFLUENCE OF VISION, MISSION, VALUES AND GOALS OF PIA OVER ITS STAKEHOLDERS

Mission, vision, values and goals for PIA have great influence over its stakeholders that involves:

3. 1 Customers:

In the vision and mission statements of PIA; their customers expectations and satisfaction is highly focused so they are increasing their market demand by offering different services such as:

Magazines like “ hamsafar” and newspapers are given to all customers of PIA

Different flyer programs also attract customers as they can get free tickets and excess baggage vouchers etc

PIA continuously changes its plane design after every 3 years as to gain more and more customer attention

PIA also introduces cargo service namely “ PIA Speedex”.

PIA is also doing brand marketing through sponsorship to become more and more popular e. g. PIA is sponsoring Shandur polo gala, ABN Amro patron’s trophy, destination Pakistan 2007 festival

PIA also supports non profit organizations like Al Shifa trust, Zindagi trust etc.

PIA is also maintaining high safety culture for its customers

3. 2 Employees:

PIA believes in team work and without that they cannot achieve their goals and mission but they do not empower their employees to participate in decision making process so they are not involved in setting goals, vision and mission for their company.

3. 3 Shareholders:

PIA does not focus on shareholders income or their satisfaction in its vision and mission statements which shows its low level of interest. And it is proved by the fact that it is not achieving its goals so facing financial crisis that results in loss for its shareholders as share price decreases from 3. 17 to 2. 61 and loss was PAK Rs. 5822 million in 2009.

SWOT ANALYSIS

4.1 (S)TRENGTHS:

Leading Market Position:

According to Annual report of PIA (2008), PIA is one of Pakistan's leading air carriers, with more than 800 daily flights. Around 150, 000 passengers fly a month on PIA, making it one of the major operators in the domestic market in terms of passenger destination.

PIA's international market share was 43. 5%, In the Domestic market, its market share was 69. 4%. On a system-wide basis, PIA's market share was 51. 2% at the end of year 2009. Its strong market position is driven by consistently low fares as well as reliable service, frequent and convenient flights, use of new technologies like e-ticketing and self check-in terminals, comfortable cabins and superior customer service.

Superior Operating Structure:

PIA has maintained its position as the low cost carrier. It has been first class Pakistani airline to use the latest technology. Factors' contributing consists of different series of Boeing and Airbus and an efficient, high-utilization and point- to-point route structure.

Network Presence:

PIA enjoys a global strong network and international destinations. The company's network includes three the major airports in Pakistan, as well as major international airport such as Dubai International Airport. Having a

strong network means that PIA can generate traffic feed for both its domestic and international Flights.

Effective Use Of Technology:

PIA has successfully incorporated latest technology in all its systems, giving it an edge over competitors. PIA takes credit for introducing most new technologies to the Pakistani market. It was the second carrier in Pakistan to incorporate the c-ticketing system and the second in South Asia to introduce self check in systems at the Jinnah International Airport, Karachi.

4. 2 (W)EAKNESSES:

Worse Govt. Rules:

The key policies, strategies and set of laws are designed by the upper management. The centralized system is one of the biggest obstacles of long term success of PIA. PIA centralizes structure lead to barrel between different level of management, decreased motivation, and hard access to information.

Debt:

PIA has a significant amount of 42 billion debts. Current and future debts could have important consequences for stakeholders of the company.

Reliance On Oil Prices:

PIA's sustainability, growth and revenues directly depend on oil prices. A steep rise in oil prices can seriously damage the long term viability of any airline. Recently many airlines around the world went bankrupt due to rising oil prices. Airlines need to hedge against this risk by taking proper measures.

4.3 (O)PPORTUNITIES:

Having The Maximum Route And Fleet:

PIA is having the maximum route and fleet domestic and international destinations network in Pakistan as compared to its Competitors. Route and fleet expansion will positively impact the company's operations by increasing revenues.

Growing Demand For Low Cost Airlines:

The growing demand for air travel is driven by lower fares and consumer confidence. A survey by International Aviation Authority showed that ticket price is the number one criterion for passengers when selecting a flight, well ahead of the availability of a non-stop service.

Shifting Customer Needs:

The needs of air passengers are increasingly changing, as they are becoming more and more price sensitive. If PIA succeeds in making its prices more competitive, then the company will be able to gain significant market share.

Industry Recovery:

Market analysts believe that the global airline industry will experience an upturn in fortunes over the next few years. This represents an opportunity for PIA, as it could generate increased revenues and command market share if it capitalizes on increases in demand.

4. 4 (T)HREATS

High Interest Rates:

The past few years have seen State Bank of Pakistan impose high as well as low interest rates to check inflation and the overheating of Pakistani economy. Inflation in Pakistan may see another raise in the short-term.

Strong Competition By Airblue:

PIA is now competing against carriers such as Airblue and Shaheen Airline. PIA remains Airblue's strongest competitor because of the huge market it has gained over time, strong brand image and customer loyalty.

Interest And Foreign Currency Exchange Rates:

Fluctuating foreign currency exchange rates can have a significant impact on PIA's earnings. For example, as PIA is providing its services to the UK. Negative or positive effects arise from exchange rate movements as change in expenses.

PESTLE AND STEEP ANALYSIS

PESTLE and STEEP factors including political, social, economic, technological, legal and environmental factors (Ireland R. et al 2008).

(P)OLITICAL FACTORS:

According to Ireland R. et al (2008), political factors always have a great influence on the way where businesses operate in the airline industry and the spending power of customers.

Pakistan has achieved some political stability in recent years. If the management of PIA believes that the present government will perform well (consistently), then there will be more investment in the form of purchase of new airplanes and latest technology.

(E)CONOMIC FACTORS:

Currently, Airlines industry has three major players: PIA, an Airblue, Aero Asia and Shaheen Airlines. Their target market includes domestic travellers as well as Pakistanis living abroad particularly in the UK and USA.

Economically, the new millennium has been highly volatile; the September 11 attacks revolutionized the whole world. Consequently, there was a global depression in the North America, South America, Australia and Europe.

(S)OCIAL FACTORS:

Customers are more aware of market conditions and available options and want to get best value for their money (Johnson & Scholar, 2001). They spend considerable time and money on entertainment hence increasing the need of in-flight entertainment systems.

Hajj attracts a huge number of customers.

(T)ECHNOLOGICAL FACTORS:

Major technological changes are taking place in the airlines industry with innovations in the reservations and booking systems. In-flight entertainment systems and auto check in counters are two examples of such innovations. Internet plays a key role in e-ticketing as consumer can easily reserve tickets or check the status of the flight.

(L)EGAL FACTORS:

Airlines legislations and policies have a direct impact on the performance of PIA. PIA has attacked new legislation which will force them to pay greater compensation to customers in the event of overbooking, cancellations and delays.

(E)NVIRONMENTAL FACTORS:

PIA, as a symbol of national pride, should be a choice airline operating profitably on modern commercial concepts, capable of competing with the best in its entire international and domestic markets, consistently exceeding customer expectations. It should be a choice employer deploying modern technology in all spheres of its activities.

APPROACHES TO HUMAN RESOURCE MANAGEMENT TO AID THE DEVELOPMENT OF BUSINESS STRATEGY

With an understanding that global economic downturn and ever rising operating costs further exacerbated by fluctuating crude oil prices. According to Greg J. et al (2009), human resource practices should be focused in PIA to address whether a “ brighter future is possible through management practices that fully engage employees and achieve genuine partnerships with their unions” to rescue an ailing airline. Failure to elicit employee commitment through human resource practices could mean that PIA is doomed to fail in competitive aviation industry in which private sector is increasing its market share by catering to customer satisfaction.

Creating a culture in which employees are close-knit and where top management focuses on its personnel asset by taking care of them so that

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they are ready to face and respond to every day's job challenges won't be easy unless PIA starts building better relationship at various levels within its hierarchical organization. When an organization nurtures values of friendliness and loyalty among its staff then eventually customers benefit from improved service quality and creating a customer-centric culture becomes relatively easy. High employee morale and high quality delivery of service to customers are both inter-related and inter-dependent variables and airlines like Southwest Airlines, SWA, that based its business model not only on its customers but also its employees satisfaction have seen its profits growing when others were all losing revenues in post 9/11 period.

Human resource management department of PIA could be used as a valuable agent of change that creates a strategic partnership among different levels of management and improves collaboration between different departments by defining policies and procedures that eventually results in a higher level of service throughout the organization. Properly trained human resource professionals that not only understand intricacies of organizational culture but also possess knowledge of global aviation industry can create a work environment that promotes dignity and respect and prepares PIA for 21st century challenges. Turnaround of Continental Airlines that used human resource management as a tool of corporate strategy to alter its work and communication practices throughout the organization is another example of the pivotal role that human resource department in PIA can play to improve its brand's strength and reverse its financial losses (Carrig 1997).

To remain competitive in global market where technology can perform many of the operations traditionally performed by human agents, PIA needs to take some measures to reduce its workforce by utilizing technology to its benefit. “ Moving to online ticketing ... save us at least 8-9 per cent in costs,” the managing director of PIA once said. This partially resolves over-employment that burdens company’s dire financial condition. The next step should be online check-in for domestic and international flights. PIA should invest further in its website to offer options to amend itinerary as and when required.

Political influence and interference that affects fairness of recruitment policies poses challenges for human resource management when they are forced to make decisions that does not align with PIA’s strategy but serves political purposes. I cannot emphasize enough on the importance of transparent recruitment. PIA needs to learn the importance of hiring as its success depends on the ability and style of its people. An organization that is in desperate need of leadership and role models should decorate its headquarters walls by photographs of employees who conform and promote company policies by achieving excellence in their respected roles. This practice would encourage healthy competition within employees and they would work with more dedication to get recognized.

PERFORMANCE AND REWARD MANAGEMENT INCLUDING THE ROLE OF PERFORMANCE APPRAISAL

Nowadays according to my point of view any type of reward plays a vital role in employee performance either it is financial or non-financial . Financial

includes increase salary benefits like medical, travel, children benefits , pension etc and non-financial are personal recognition , appreciation , promotion etc. PIA must conduct a employee survey in which first they identify the needs of different employees like what type of rewards PIA should provide them so that they can motivate and perform better to make it first choice .

Performance Appraisal or Career development discussion is method by which the job performance of an employee is evaluated in term of qualitative, quantities, cost and time typically by super ordinate boss or supervisor Performance appraisal is a part of guiding and managing career development . It is the process of obtaining, analysing and recording information about the relative worth of an employee to the organization. Performance appraisal is an analysis of an employee's recent success and failures personal strengths and weaknesses, and suitability for promotion or further training. It is also the judgement of an employee's performance in the job based on considerations other than productivity alone. Its a tool by which management can give feed back on employees performance identify his/her training needs . Facilitate communication between employee and administration/management . It improve performance through counselling , coaching and development . Simply when ever you tell any body about his/her weakness strengths you he/she will perform better towards achieving organizational goals.

STRATEGIES FOR EMPLOYEE DEVELOPMENT AND REDEVELOPMENT

The study is intended to check the development of employees in the organization. A good development program and procedure are essential to achieve goal of the organization. To cope with poor performance and to retain employee and always keep them sustainable we have lots of strategies but what I found in my research that not all are play a vital role but someone plays a significant role (Svend Hollensen, 2005).

Decentralization

Employee will better develop in decentralized decision making where they feel they are part of team whenever you involve employee in decision making you can easily achieve you desire objective in better way (Jeston J. & Neils J., 2006). If we talk about PIA (Pakistan international Airline) in PIA delegation of authority is limited due to centralized decision making . The authorities reserve the right to make decisions in Board meeting or you can say that only top level management can make decision in board meeting. The middle and lower level management is not allowed to speak for against the top level management whatever top level make or implement they have to follow the decision

Job Rotations

According to Price A. (2005), job rotation is organic part of development; it is practiced to allow qualified employees to gain more insights into the processes of a company and to reduce boredom and increase job satisfaction through job variation. More rotation more satisfies an employee. Job Rotation

is not common in PIA (Pakistan International Airline) that's why PIA employees are not fully satisfy

Feed back

Feedback plays a vital role in development and Redevelopment of employee and retains them on the job (Mercer, 1996). People need feedback." Most people do not see themselves as others see them". Feedback is essential to learning. If people don't fully appreciate their strengths, how can they use them to their advantage? People who take a professional attitude toward their work want feedback. If we talk about PIA quarterly employee co-ordination meeting are held where all employees can share their views with their bosses and subordinates and subordinates take feedback from super ordinate's it helps to reduce the conflicts within the organisation and employee satisfaction.

Training and development Programs

Training leads towards development and when employee's skills more develop organisation can easily achieve its objectives training is essential to make employee more dynamic to perform task (Price A. 2005). Training is strategy to retain an employee in the organisation it is duty of top level management to review the performance appraisals of employee and if they feel lack any where they should provide proper training to cope with that problem. This strategy is some sort of investment on employee. When employee feels that company is investing on he/she they always try to perform better.

Analysis of the Liquidity Ratio:

It is apparent above chart that the PIA is running with a negative working capital in both financial years. Similarly the percentages of current quick and cash ratio are also very low that reveals the fact that the current asserts of the company is not enough to meet its current liabilities. Either it should be equal or above the maiden industry level or it should be in Positive Percentage.

Leverages ratio shows the amount of debt utilized by the firm to finance its asserts (Wight R. et al, 2009). It can be either by using share holders equity or by the amount of borrowing. Leverage ratio of the PIA shows the greater amount of debt to finance its asserts.

The figures of the activity ratio indicate the low credibility of the PIA in utilizing its assets to generate the sales. As it is apparent from the fact that ratios for both the years are quiet low and the company will require a greater period of time to convert its assets to generate sales.

Analysis of Profitability Ratio:

The financial statement shows a slight decline in the gross profit margin in the 1st quarter of year 10 over the previous year. Similarly there is slight increase for the Return on equity ratio, though it is low but as an investor it is somehow encouraging. On the other hand operating profit, net profit margin and return on assets are in real bad condition as they are in negative.

CONCLUSION:

Reason for PIA down fall is that the company is goal oriented instead of focusing on means used to achieve those goals. So the problem comes at the implementation stage as they are not people oriented, mean the company does not involve its middle and lower management in decision making. That is the reason weaknesses occur and they fail to cope their upcoming threats and unable to create competitive edge in their respective

PIA has boosted in last few years. Corporate level is planning forward for next upcoming years. PIA has to changed organisational structure so that it can bring a change and motivation in employees. This will solve all the problems and conflicts among the company structure from corporate level down to the lower level.

They should motivate their employees and as well as less the over head cost expenses and other expenses like labour cost . It should be like less input and high out put to improve the corporate level they should heir responsible people so that they are good in decision making and strategic planning. This can be only done by good marketing policies.