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STRATEGIC MANAGEMENT PRACTICES IN COVID -19 PHASE: AVIATION INDUSTRY CASE

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ABSTRACT:

The airline industry exists in an extremely competitive milieu. Its targeted clientele is from national and across the globe with several specialties. The strategic management practices are of much significance for the management to analyze the decision-making process to bind the uncertain conditions created by surroundings. It has become a matter of great importance to analyze the financial and administrative effects of Covid-19, which halted the tourist flow and overturn the budget estimation. To address the threat, strategic management provides a decisive contribution by adopting traditional business practices. The article aims to similar past crises and discusses the most appropriate management strategies, which undoubtedly respond to the crises and assist the air industry.

INTRODUCTION:

The tourist flow is severely affected by natural disasters and whether an alteration in some tourist countries across the globe (Mather, Viner, & Todd, 2005). In the same manner, unexpected financial crises significantly reduce mobility since it is an important factor affecting global tourism (Ryan, 2003). Besides, terrorist attacks in various corners of the world in different periods considerably affected the tourism industry (Page & Connell, 2006). Moreover, health worries across the globe also affected tourism besides natural, economic and security measures. According to research, health infections including Sars, H1N1 and Mers have crucial economic implication which affected the tourism sector (Mason, Grabowski, & Du, 2005). At present, the world is facing another health threat named COVID-19. It is said that it highly

transmittable respiratory disease caused by a Coronavirus (Dictionary.com, 2020). According to research, the virus has officially spread to more than one hundred countries at alarming rates (World Health Organization, 2020). The study also showing that the ageing travelers are more volatile in the situation. (Graham A., 2020).

Region-wise spread of Covid-19:



Source: WHO (2020d) Coronavirus Disease (COVID-19)

The COVID-19 Pandemic is affecting and both human lives and the economy immensely. According to a recent study, Covid-19 spread at local and national levels (Global Solution, 2020). It has been found that the impact of this crisis will be much higher than the global financial crisis, as per the study of the (World Travel and Tourism Council, 2020). It has been found that the employees working in informal settings will be most affected due to the closure of the business (World Economic Forum, 2020). Firm policy measure and public health care system have been implemented worldwide, as the covid-19 spread the nations (Chin, 2020).

Therefore, the travel industry has to take several initiatives to overcome the crises. In this regard, the role of strategic management is very important. It has been suggested that the outbreak of Covid-19 has a long-lasting socio-economic impact across the world (World Bank, 2020).

The concept of strategy is well-known to the business world nowadays. This idea originated from large businesses and is currently used in entities, for instance, culture and non-profit organizations. The strategy is widely used by the organization since it leads to useful strategic management. It is irrefutable fact that organizations that function today compulsorily take the steps to face the challenges effectively. Strategic management started by one organization, but it lengthened to some other industry shortly, especially the airlines, they require a few strategies which are designed for this industry. The reason for its

immense importance is that strategy is a coherent means of planning to take advantage of opportunities and threats in the environment (Ansoff, Kipley, Lewis, Helm-Stevens, & Ansoff, 2018). This industry is currently facing the threat from COVID-19. Strategic management should evolve such a strategy to guide the aviation industry to overcome this critical period.

Motivation of the study

The individual, families, and socioeconomic fabrics are affected by the Covid-19. The intensity of Covid-19 has established that Pandemic is the greatest health crisis the world has ever seen after World war. It stresses countries and has the potential to damage the social, economic, and political fabric of society. The travel and hospitality industry is the most vulnerable, and their closure affects million of jobs across the world. For example, the impact of Covid-19 on the travel industry hinders 10 percent of global GDP. In light of above, the motivation of the paper is to provide an in-depth discussion of how Covid-19 affects the income and livelihood of workers as well as the stakeholders of the travel industry. The discussion also presents that how pandemic affects the global economy and what strategic practices need to be adopted to challenge the consequences of the pandemic.

LITERATURE REVIEW

The strategy is defined as "a process reorganizing the necessary tools and resources, planning the activities, guiding the operations and providing a competitive advantage to determine objectives which are compatible with changing environmental conditions" (Dincer, 2007). It is assumed that the organization's success or failure depends upon its ability to manage in a hypercompetitive environment and getting advantages overtimes. The research supported the strategic management in the industry relating to the actions that boost competitive advantage for the organization through unique services (Lashley, 2008). To gain a competitive advantage and sustain profitability, organizations have to use the most appropriate means. Strategic management means can vary in various business environments. Hence, the organization should also use different means of strategic management in its decision-making process (Gunn & Williams, 2007). Strategic planning, Balanced Scorecard, SWOT analysis, and Total Quality Management are some of the most known means of financial analysis. The notable point is that this article is related to the pandemic crises which greatly affected the airline industry, consequently, the underlying information acquired, how this industry confronts these crises by using strategic aspects of management.

METHODOLOGY

The study is based on a qualitative research model and most of the data was acquired through secondary sources. The data was collected through national and international publications, company papers, and conference proceedings. To establish reliability, the data was derived from well-known online database sources. The primary source was also consulted by taking interviews from related industries. The data was used to develop a research approach about the

role of strategic management practices during crises such as the pandemic era. The research was done extensively to determine the existing strategies for making some recommendations. The research is not exhaustive and there are some limitations of the availability of current data.

Review findings

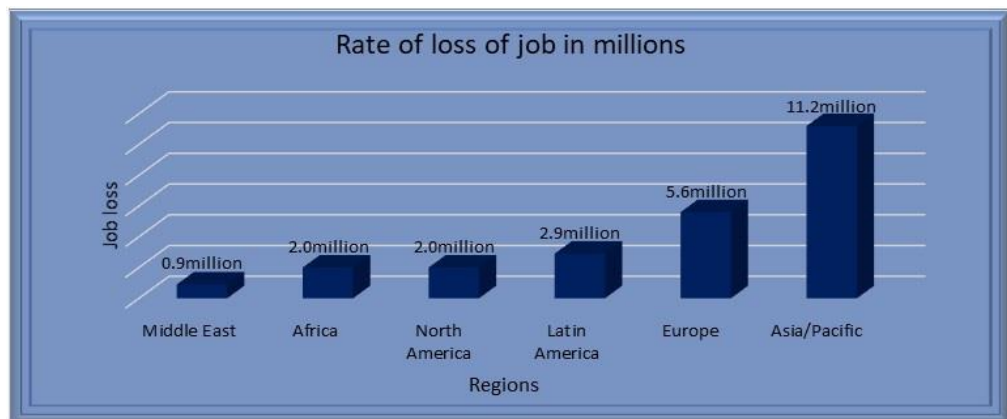
To implement strategic management, it is very important to have a sufficient understanding of the context of the organization environment. It is imperative to identify both opportunities and risks related to the external environment. Simultaneously, they must also identify the means and resources for achieving the goals (Johnson, Whittington, Scholes, Angwin, & Regner, 2017). Several questions are asked in sequence while formulating the strategy and it must answer by the organization. To answer the question, SWOT analysis, Porter's five forces, and Macro environmental analysis models may be used to understand and identify the change made to the external environment (Okumus, Altinay, Chathoth, & Koseoglu, 2019).

The organization must be able to tackle the phase of crises, though organizations use tools and techniques to gain a competitive advantage. One of the techniques is turnaround strategy which turns the situation into an opportunity for the company. The following are important techniques in this regard (Kubickova, Kirimhan, & Li, 2018).

- Making alliances to exchange resources
- Focus on market segments that can produce adequate profitability
- Reduce the operating cost

However, the pandemic is quite different. Tourism including the airline, hotel industry, the capability to buying and social assemblies are profoundly affecting. The study suggests that the tourism industry contributes to economic growth, ensures food security, and increases countries' participation in the global economy (Richardson, 2010). In this study, an attempt has been made to present the strategic aspect for the organization, how to deal with and survive these crises. The unemployment generated crisis created by the Covid-19 pandemic is not only peculiar to the United States-based industries as the statistics in Figure below show. The research has revealed an alarming rate of loss of job in airline-related industries in six regions with Asia/Pacific mostly affected and followed by Europe.

Loss of job in airline-related industries due to Covid-19 pandemic



Source: Statista (2020)

It is imperative to understand how the airline industry countered the global crises in the past. In 2007, the world was hugely affected by economic recession; tourism was a leading prey from global financial crises (GFC). Nevertheless, and there were shared efforts from the world to recover from that phase. The industry mainly focused on upgrading offered, facilities, and count on customer satisfaction. It was found that global financial crises converted traveling inaccessible and desired action for the people worldwide (Tourwriter, 2020).

In 2009, the world was in rigorous economic crises when Swine flu (H1N1) surfaced. It was anticipated it would affect the glob-tourism industry, but the study found that the impact was lowered down due to useful strategic management and promptness. The airline industry recovered soon from this financial crisis though it was a challenging blow for some other industries globally. With the outbreak of SARS in 2006, the airline industry must formulate a strategy that makes certain the safety of customers (Henderson & Ng, 2004). Undoubtedly, the situation is quite different from the previous outbreaks during Covid-19. The airline industry must function as an open system that reflects and understand the changes in the external environment. Hence, the operator of the airlines does not have a wider choice to adopt. There is only one-way strategy to lockdown. The majority of tourists do not willing to take risks even if there is no lockdown at a certain place, and if there are flights, they are operated at a minimum level. It is estimated that about 96% of worldwide tourist destinations have travel restrictions (United Nations World Tourism Organization, 2020). The airline industry has to face profound losses whatever may the strategy of the industry, which means it has to reduce the wages or to make lay off to minimize the cost of the industry. In the past, the crises were overcome by adopting the government's rules and regulations. The governments initiated to lock down financial packages or designing national campaigns to promote the country. This article aims to recognize the most appropriate strategy to beat the period of Covid -19.

Discussion- Proposed strategic practices:

This article aims to suggest some strategies which will help this industry counter this unique crisis. The authority has tried to come forward with three diverse strategies since there is no sufficient literature presents focusing on this issue.

- Safe umbrella support
- The use of technology and innovation
- The contentment of customer's need

The prime concern of this industry is to fascinate and engage their customer by ensuring the safety of their potential customer. The commuters search for a safe mode of traveling with high-rating and well-being safety. It means that the competitive advantage will not drive by both differentiation and cost leadership but to ensure that traveling is safe from Covid-19. It is imperative to operate this industry under ' safe umbrella travel'. This will focus to make the potential customer at ease and ensure a safe and secure experience. By exploiting public relation tactics, the industry will persuade their clients about the safety of traveling and trust can be derived if it is communicated well. This umbrella should be well advised through digital media which will assure the customer that safety and precautionary measures are being adopted. The exploitation of technology is another strategic practice. The airline industry should re-visit their technology and re-evaluate their business strategy to intact the business. It should be determined that technologies can flourish the business. It is strongly believed that technology brings novel solutions and maximizes positive travel experiences. To avoid unnecessary touching on possible contaminated surfaces, a smart kiosk (Id scanning and facial identification) can be installed at the airport. Airports can be inventive by using chatbots to face the customer's numerous questions and cater to the information, they desire. The digital solution could generate a virtual show of airport basic amenities and services. Moreover, special focus should be provided on the air quality in the surrounding, hence the investment must be made to ensure air filtration and hinder aerosol transmission. Another critical that the airline industry should take into consideration is potential clients. Most of the travelers are confused about their traveling during the pandemic. Most people are canceling their booking or claiming a refund, while some of the clients ready to travel. The airlines have opportunities to build relationships and augment customer loyalty. Some choices must be given to clients to change their booked reservations. To reschedules their reservation may be one of the options, however, if the customer not willing to do accept, the industry could full refund. The industry can build up enough trust with the clients and they will become repeated customers in the future as well. It is very important to understand that the airline industry should count more on domestic traveling for recovering its lost capital and provide maximum facilities to the domestic travelers. The study has found that the government has been trying to take exceptional measures to overcome the Covid-19 cases in most countries (OECD, 2020). Hence, the industry should consider the financial pillow to provide relief to the customer and the airline business. The

governments' taking initiatives include several practices to ensure the industry's existence. Tax relief, economic relief packages, grants, loans, and communication campaigns are some of the measures taken by the different governments. However, the industry should also reconsider the marketing payroll and some other expenses. It is very significant to have some adjustments and lower the budget impact. It is also to make some plan to handle the cancellations of the reservations. To cope with such a situation, it is important to have some emergency funds and operate with more considerable profit margins. The airlines have been dealing with the declines in demand with the state aid so far (Gössling, 2020).

In the past, many airlines were forced to go bankrupt due to flight cancellation after the 9/11 terrorist attack in United States due to a thin profit margin. This strategic tool will be beneficial for the industry which will allow the industry for several months even if they are near to close or have a limited number of reservations.

CONCLUSION

This paper highlighted the significance of strategic practices and tools to assist the airline industry during crises. The Pandemic phase has resulted in a dramatic reduction of demand of the airline industry. It suggests reconsidering the strategic tools and practice. There are many strategic choices which the airline industry needs to focus such as safety for the passengers, establish a strong relationship with customers, adaptability of new technology, and also creating some financial space to recover from this crisis and even to prepare itself to deal with another wave of Pandemic. It is suggested that the industry must investigate those successful cases which recovered from Covid-19 so that the most suitable strategy may be determined. Besides, empirical evidence is of much significance for supporting the strategic management practices. The tourism industry is tremendously forceful and is unique in overcoming several threats. The healing measures put in place today will build more thriving tourism in the future. The airline is an essential part of any tourism industry. This Pandemic should consider for opportunities for the future.

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