



**Spring 2020 Final-Term Examination**

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- **Attempt all questions.**
- **Read The case study and answer the following accordingly.**

### **Question# (1) Do you agree that good communication reduces uncertainty; in your opinion could it have saved Pan Am?**

Yes! effective communication strategies in high-uncertainty environments can help reduce uncertainties, and forge a unified bond between leaders and employees. Well designed and executed strategies are associated with productivity gains, efficiency improvements, cost reductions, improved morale, and decreased employee turnover. In my opinion communication was one of the reasons that led Pan Am from disaster to crisis, the stakeholders perception of the crisis organization were determined by media coverage. The way in which the media depict the crisis with the depth and intensity of coverage influenced the stakeholders. Media was considered the antagonist in a crisis scenario. Because of medias highly influential role, the company had to be prepared to take immediate control of informational flow in a crisis plan. If Pan Am communicated in a good manner and provided good information at that time it would have saved them from falling into crisis, but Pan Am's failure to provide information in a timely way resulted media focusing on victims' families. As a result of the information vacuum, rumors as to the cause of the explosion thrived.

### **Question# (2) Based on the case study do you think Pan Am was flexible in their decision making?**

Pam Am was not flexible in their decision making they could have made better decisions during the turnaround phase. Internationally the airline had built up a formidable route network but senior executives had realized for some time that the way forward was to increase the feeds to these services. The inconvenience to passengers of having to change from a 'domestic 'airline to Pan Am for

international travel was sustainable within the marketplace only as long as regulation was in place on international routes. In anticipation of the problems of deregulation. However, with the advent of deregulation, the lack of feeders became a distinct, rather than a potential, threat. In order to overcome these difficulties, Pan Am sought to develop the domestic feeder system it needed through the acquisition of National Airlines. The purchase of National was deemed a strategic error, given that the cost of the acquisition was excessive in terms of cash and because of incompatible aircraft and routes alongside a range of inherited labor problems. The lack of adequate domestic feeder flights following the advent of deregulation, combined with the problems arising out of the ill-fated acquisition of National, bode ill for Pan Am's and created the potential for crisis which was incubated during the remainder of the decade.

**Question# (3) In your opinion where do you think they made a mistake that caused the failure to the airline.**

Pan Am made numbers of mistakes in its turn around phase. It found itself in the post-deregulation with an inflexible and heavily unionized work force together with a mixed aircraft fleet of varying standards. This, coupled with the company's management culture, developed during the secure regulatory years, was to prove to be a problem. With Pan Am's fortunes waning during the highly competitive the organization's Pan Am was again faced with selling what little assets it had to remain viable as the crisis took a heavy financial toll on the organization. It also sold its Internal German Service (IGS) network to Lufthansa for \$US150 million. Pan Am decided that to remain as a viable carrier it must sell one of its remaining jewels in the crown - its transatlantic route operation. However, any attempt to clear the sale

would require the British government agreeing to ease restrictions on new carriers operating from Heathrow. Delays through inter-governmental negotiations followed and, in the interim, TWA attempted to take-over Pan Am in a \$US375 million deal. Finally, terminating any takeover bid by TWA, Pan Am applied for Bankruptcy Protection in the US courts. Pan Am re-negotiated loans to enable it to restructure its finances which had been decimated by the Gulf crisis. Pan Am's revenue generation had been severely curtailed due to the lack of demand. During the initial turnaround attempt, the acute crisis events of Lockerbie, economic recession and the Gulf war were too great for Pan Am to counter with its eroded asset base and diminished route system. The ensuing debt burden and filing of bankruptcy protection saw remaining assets sold and the adoption of a divest or 'get out now' end-game strategy.

#### **Question# (4) What can you generalize from the case study based on information, was it a group culture organization?**

We could generalize from the case study based on information that the organizational culture represents common perception, this was made clear when we defined culture as a system of shared meaning. We should expect, therefore that individuals with different backgrounds will tend to describe organization's culture in similar terms. The organization promote cooperation among the countries of Latin American and the U.S. It was established (as the International Union of American Republics) at the first Pan-American conference, which was called by U.S. secretary of state in order to reach agreements on various common commercial and juridical problems among the countries of the Americas.

**Question# (5) Write a summary of the case study and be more specific on what you understood out of this study.**

The purpose of this paper is to encourage understanding of the practical value to managing and communication practitioners of the positive lessons from issue and crisis management cases. Design, methodology and approach, unlike many other areas of management writing, which focus on new approaches and best practice, issue and crisis management cases often highlight “PR disasters”. This paper uses well known examples to explore the reasons for this focus on failure and proposes ways for managers to move beyond schadenfreude to secure genuine learning and competitive advantage from the adverse experiences of others. Findings, whereas many industry cases are self-serving and prone to wisdom after the event, there is a growing body of authoritative case-books and other material which can provide useful evaluation and benchmarking for an organization's own activity, both internal and external. Originality value While academics are familiar with the use of communication case analysis, this paper explores the range of published case study resources for practitioners and other managers who may be less aware of what is currently available and how independent analysis and insight can help facilitate effective performance against accountability.