

Iqra National University, Peshawar
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Course Title: Organizational Behavior
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COMPUTER SCIENCE

Q # 1: Do you agree that good communication reduces uncertainty; in your opinion could it have saved Pan Am?

ANS:

Yes, effective communication strategies in high uncertainty environment can reduce the uncertainty. Well designed communication strategies are essential for productivity, cost reduction, efficiency improvements, increase morals and reduce employee turnover. The most effective uncertainty-communication involves a partnership that integrates communication needs and expectation of those leading the change and those impacted by it. understanding and integrating the goals of the organization and the needs and expectation of both leaders and employees provide basis for uncertainty-communication strategy.

In case of the Pan Am airline there was a lack of communication. They were used centralised decision making. Acker the CEO of the Pan Am brought major changes in the business. He also signed many agreements without the involvement of the subordinates. when a new CEO Paskett appointed by the shareholders. He make some major changes

in the business including: the change in management, organizational change and centralised control. these major changes increase the uncertainty. because of these changes the was suffered heavy loses.

One of the major factors of failure of the Pan Am airline was the use of Top-Down approach of management. According to this approach all the major decisions of the business are taking by the top management without involving of the middle or first line management.

Another problem of the lack of communication in organization was inflexibility in decision making and heavily unionised work force with a diversified fleet/workers of different standards.

Q#2: Based on the case study do you think Pan Am was flexible in their decision making?

ANS:

Based on the case study of Pan Am airline, they were inflexible in there decision making. The major decision was taken by the chief executive officer. Inflexibility was Pan Am initial problem. Flexible decision-makers are focused on speed and adaptability. They acquire just enough data to decide what to do next and are willing to change course if needed. This decision-making style works with several options that can change or be replaced as new information becomes available. Being flexible comes in handy when you have to make

decisions in dynamic, uncertain situations. Flexible decision-making is relevant to all levels of decision-making.

During 1970s Pan Am was one of the most successful firm of the airline industry in USA. but soon they recorded major losses in their revenues. that compell the manegement to take major steps to regain the lost identity. But unfortunately the environment within which Pan Am operated become more tubulant and hostile. Later on Pan Am announced that acker and shugrue had been dismissed and would be replaced by plaskett as the new CEO of Pan Am in order to strenthen business condition. for this purpose plasket the CEO of Pan Am announced that that he would be introducing a new management team to effect a turnaround of the organization.

Plaskett noticed three main areas that required attention as part of the turnaround strategy.

the first of these was the lack of feeder flights for the international service. the second step taken by plaskett was to implement revised labour agreements with the five unions which operated within Pan Am, providing initial annual savings of \$145 M. markwting the product was another important element in plaskett turnaround plan which aimed to ensure that the organization was seen as a quality carrier of high standard and not a cheap-set airline. but all these steps was not working for the company due to some major crisis of plan crash and kuwait and Iraq invasion.

Q#3: In your opinion where do you think they made a mistake that caused the failure to the airline.

ANS:

Despite a number of highly successful years throughout the 1970's, the airline eventually had to come to an end. Pan Am, having once called itself "The World's Most Experienced Airline", eventually filed for bankruptcy protection in January 1991. Due to rising fuel costs, as well as an inability to operate domestic routes the airline was starting to run at a loss. The airline also suffered from several public relations hits in 1988. with the multiple problems facing by Pan Am in early 1988, the decision to exit must have been high on the list of options. It could be suggested that an exit strategy should have been taken, the cultural barriers from stakeholder ensured that pan would attempt to recover. 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 diminished rout system. the ensuing debt burden and filing of bankruptcy protection saw remaining assets sold and the adoption of a divest or getout now end game strategy.

PAN AM OPERATIONAL CRISES:

Pan Am entered 1988 under the trade of sale to braniff airlines following the signing of a letter of intent between braniff and acker on 10 dec 1987, the opening month of 1988 was therefore, a stormy one for pan Am, as a result of acker attempts to sell the organization and vice chairman shugrue attempts to strike along term deals with the unions, with

regard to mainingg and thereby attempting to save the company from the braniff sell. on 21 jan, following unions agreemnt pan Am announced that avker and the shugrue had been dismissed and would be replaced by palskett. these two mistakes was done by the company at the same time.

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

ANS:

Organization Culture:

Organizational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization.

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid.

These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Organizational culture/corporate culture includes:

- The ways the organization conducts its business, treats its employees, customers, and the wider community,**
- The extent to which freedom is allowed in decision making, developing new ideas, and personal expression,**
- How power and information flow through its hierarchy, and**
- How committed employees are towards collective objectives.**

PAN AM AIRLINE ORGANIZATION CULTURE:

The rise and fall of Pan American World Airways has been analysed in a number of ways. The culture that pervaded the organization following its period as a premier airline, now in decline, did not make the potential for recovery easier. Any change within the cultural web would be difficult and could potentially slow down the turnaround process.

Pan Am went out of business in 1991. But for many, it is still synonymous with luxury air travel. And while the 1958 journey was not the first trans-Atlantic flight by an airline, it was perhaps the most significant, according to news reports at the time. Pan Am helped usher in the era of commercial jet travel with daily flights to London and Paris that ultimately made it easy for tourists.

Pan Am's status as a cultural icon persists nearly three decades after the airline collapsed under crushing debt. There are Pan Am items for sale on eBay, including travel bags, cutlery and captain's wings. It continues to be memorialized in television, movies and documentaries.

Pan Am was later beset by troubles. High fuel prices in the 1970s hobbled the industry. In 1988, a bomb exploded on a trans-Atlantic flight over Lockerbie, Scotland, killing 259 people onboard. The company declared bankruptcy in 1991.

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

ANS:

Summary of the case:

The case of Pan Am appears to have been one of chronic slow erosion since de-regulation in 1978. Acker's period of control was marked by divestment whilst attempting to remain in an increasingly competitive area of operations. The sale of the Pacific routes represented the end of Pan Am's future in that reliance on increasingly competitive and mature routes would ensure reduced load revenues. The turnaround option taken by Plaskett was undertaken with an eroded asset base which meant that adoption of key success factors was reduced through lack of finance. With the multiple problems facing Pan Am in early 1988, the decision to exit must have been

high on the list of options. Whilst it could be suggested that an exit strategy should have been taken, the cultural barrier from stake- holders ensured that Pan Am would attempt to recover. 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. Pan Am can be viewed as having initiated an initial turnaround attempt following de- regulation in 1978 with the appointment of Acker in 1981. However, Acker maintained a post-crisis position of decline and, to a considerable extent, unknowingly worsened the situation by his policy of divestment in the early to mid 1980s. To arrest the decline, a decision to introduce a new chief executive officer, Thomas Plaskett, was taken in 1988. During the early period of his appointment, Plaskett undertook a number of the required elements for a successful turnaround. It was during this consolidation stage that a crisis event occurred which threw Pan Am back into the period of post-crisis decline with the bombing of Pan Am Flight 103. Consequently, the organization was forced to switch back to a defensive turnaround position following this event. Pan Am, in effect, now placed certain of the key elements of the Plaskett turnaround plan on hold

while it switched into a defensive loop to deal with the Lockerbie incident. During this defensive period, Pan Am operated a sustained communications management programme to deflect criticism of its operating and security procedures, whilst attempting to reduce the impact of the drop in passengers to a minimum. Following the initial defensive phase, Pan Am sought to re-orientate the product and improve its marketing to win back passengers via heavy ticket discounting. After this period, Pan Am switched back into the consolidation track of its original turnaround strategy with the unsuccessful attempt to acquire NWA. Following this, marketing and service improvements were re-introduced to position the organization back on its turnaround trail but with restricted and severely weakened finances. The attempt to move beyond consolidation was short-lived, with the Gulf crisis of August 1990 forcing the already weakened airline to again switch to the defensive. This period culminated with the land war in the Gulf, and consequently a severe reduction of travellers from the USA. This resulted in Pan Am attempting to sell off the bulk of its operations. In analysing the elements of the turnaround within Pan Am, it is proposed to commence the analysis with the arrival of Thomas Plaskett and his turnaround plan introduced in January 1988. The key success elements for turnaround that were adopted with the original Plaskett plan were:

Change in management structure:

The removal of Acker and elements of the old management team ensured a change in the management structure with the introduction of the new management team under Plaskett. Many of the new team were brought in from successful US airlines.

Strong financial control:

Pan Am's finances were in a poor condition and within the new management team a new head of corporate finance was brought in to attempt financial improvements, notwithstanding the fact that many of the company's assets had already been disposed.

Organizational change:

With the introduction of the new management team, organizational responsibilities changed as responsibilities for marketing, service and finance were centralised.

Centralised control:

This was linked with the organizational change that shifted responsibilities to central points within the organization all reporting directly to Maskett.

Leading on from the early defensive period, Plaskett began to consolidate the turnaround through increased organizational change with the introduction of agreements with the organization's unions. During this period, Pan Am maintained its use of strong financial control, organizational change and centralisation to effect

consolidation. The company then introduced elements of improved marketing, to enhance the organization's image with the air traveller, and re-orientated the product through increased quality of in-flight and ground services, together with improvements in flight scheduling and departure targets.

in early 1990, Pan Am had again recovered its turnaround position to the consolidation phase. Plaskett was again seeking to switch to the offensive stage of turnaround during the cyclically favourable spring and summer months. Events were again to counter this plan, with a deepening recession coupled with the invasion of Kuwait by Iraq in August 1990. These events pushed Pan Am back into post-crisis decline and necessitated the adoption of a defensive strategy. Pan Am adopted two further key turn-around elements in an attempt to survive. Divestment and debt restructuring were given highest status within the plan as Pan Am sold its IGS together with its trans-Atlantic routes into Heathrow. The funds from divestment were used to restructure its debt position as Pan Am cancelled its new aircraft deliveries and returned other planes to its lessors. The filing of Chapter 11 Bankruptcy Protection enhanced the debt restructuring, as this gave Pan Am increased time to re-finance its debt. The outbreak of the land war in the Gulf, during early 1991, steepened the decline and pushed the organization further into recession. The continued decline forced the organization back to the point where the decision to wind up the company was taken with the sale of the bulk of its remaining route network and with negotiations in place for the disposal of its remaining services. The case of Pan Am illustrates the problems facing organizations attempting to affect turnaround. Despite the best attempts of management, the corporation remained

in the defensive and consolidation phases throughout the 1980s. Pan Am's problems began not with the Lockerbie bombing but with the sale of company assets in the 1970s and the ensuing debt profile of the company. In this case, it seems difficult to imagine how turnaround could have been affected given the constraints that were in place. Every attempt taken by management to move into the offensive phase of turnaround was thwarted by factors largely beyond their control.