



ORGANIZATIONAL BEHAVIOR

Final Assignment
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Csc-201

Q1: DO YOU AGREE THAT GOOD COMMUNICATION REDUCES UNCERTAINTY; IN YOUR OPINION COULD IT HAVE SAVED PAN AM?

ANS TO Q1:

Yes! Good communication can greatly help in reducing the uncertainty. In my opinion Good communication defiantly could have saved the Pan Am from decline.

Effective risk communication could have helped Pan am make informed decisions by providing structured ways to understand the uncertainties inherent in the choices with which they are presented.

Implementing standard procedures for developing and communicating regulatory decisions could have improved the accuracy and impact of risk communication strategies.

Most of the Pan Aim's management's decisions were considered mistakes; one of the reasons for that was lack of good communication in that organization.

Had there been a good communicational ground in Pan Am for the members of the organization, a lot of the calamities and bad decisions could have been avoided.

Such as when its five labor unions decided to strike in retaliation to Acker's planned staffing and employment reviews or the purchase National Airlines and the sale of its prestigious New York offices in 1980 to release assets.

Had Pan Am in good terms with the members in Washington, its request to the US government to allow them to operate several domestic routes could have been approved.

Another example of this is the Acker's attempts to sell the organization and Vice- Chairman Shugrue's attempting to strike a long- term deal with the unions.

Q2: BASED ON THE CASE STUDY DO YOU THINK PAN AM WAS FLEXIBLE IN THEIR DECISION MAKING?

ANS TO Q2:

The overall management of Pan Am was not impressive, and they weren't very flexible in decision making either.

As a result, the company had to go down the rout that it went.

The Purchase of National Airlines was a big mistake. This wasn't a good decision to make and had Pan Am suffer a lot by losses and difficulties in merging the two companies.

The miss uses of the company's assets had them to lose a lot of money and thereby the attempt to reduce the staff and ultimately sell the company to Braniff Airlines, which led to Acker replaced with Thomas Plasket.

Due to the bad decisions of Acker of selling the assets and the continuous decline, the company was \$US245 million in debt before Plaskett took control.

The selling of Pan Am's internal German Service (IGS) and the selling of its transAtlantic route operation are also some examples of the Pan Am's bad decisions.

Overall, the Pan Am was not in good hands. The management relentlessly took it down the path and had the responsible people such as Acker, Shugrue or Thomas Plasket done their job well, a lot of calamities could have been dodged.

Q3: IN YOUR OPINION WHERE DO YOU THINK THEY MADE A MISTAKE THAT CAUSED THE FAILURE TO THE AIRLINE.

ANS TO Q3:

Pan Am made several serious mistakes in its time.

Pan Am's problems began with the sale of company assets in the 1970s and the ensuing debt profile of the company.

This led the major problems for Pan Am in terms of heavy debt later and being left with limited assets.

Another mistake Pan Am made was that it sold off its Pacific routes as a result, the company was condemned to eventual demise

For many years, Pan Am had wanted to buy National Airlines, which linked Pan Am's main gateways of New York City, Miami, Los Angeles, and San Francisco.

The merger of Pan Am and National was disastrous for Pan Am. Pan Am agreed to increase the wages of National's unionized employees to the much higher salaries earned by Pan Am's staff, which meant that flights that were profitable at National's low cost levels became unprofitable at Pan Am's higher costs.

Unrest in the Middle East caused oil prices to rise substantially in the late 1970s, which increased the costs of the merged Pan Am / National further.

A substantial rise in interest rates in the late 1970s and early 1980s made the merged airline's financial situation even more dire.

Pan Am was heavily indebted before the merger because of the expenses to purchase the airline's 747s, and borrowed even more to pay for National and a fleet of L-1011-500s that was intended to replace Pan Am's 707s.

The ordering 25 Boeing 747s, based on the assumption that international travel would continue to grow at 15% per year indefinitely, and jet fuel prices would remain low didn't went as expected either.

All these were major factors in Pan Am's demise. Had they made more strategic and well-planned decisions on time; things could have gone a different rout.

Q4: WHAT CAN YOU GENERALIZE FROM THE CASE STUDY BASED ON INFORMATION, WAS IT A GROUP CULTURE ORGANIZATION?

ANS TO Q4:

Pan American World Airways, or Pan Am, was a cultural icon of the 20th century, until it went out of business in 1991, and filed for bankruptcy.

During its time a lot of bad decisions were made that caused issues for the company to keep up with the competitors of the time.

From studying the case study, it looks like there was a major disconnect within the organization. Most of the issue and problems could have been avoided had the communication and relationships within the organization been given attention.

Due to this huge disconnect, a lot of the issues were tackled or tried to be tackled poorly, and resulted in more damage than good.

The downturn of Pan Am began with the 1973 oil crisis.

Pan Am spent millions trying to keep up with the competitors. It had just purchased a fleet of Boeing 747s, assuming that the interest in passenger flight would continue to rise.

Then the company was faced with skyrocketing fuel costs.

The airline never did financially recover. It struggled with labor strife.

PanAm attempted to stop the bleeding by reducing the staff and selling off its Pacific routes and US domestic network. However, the downing of Pan Am 103 in a terrorist attack and the Gulf War doomed the recovery efforts.

The instability in the company roots was cause of the major problems and the efforts to reverse the effect failed miserably.

All this led to the demise of Pan Am and the company ultimately filed for bankruptcy.

Q5: WRITE A SUMMARY OF THE CASE STUDY AND BE MORE SPECIFIC ON WHAT YOU UNDERSTOOD OUT OF THIS STUDY.

ANS TO Q1:

The Pan American World Airways was America's airline to the world for many years. Pan Am pioneered international air travel, first through Latin America in the late 1920s and early 1930s, then across the Pacific in 1935, and across the Atlantic in 1939.

After World War II, Pan Am replaced the flying boats used on their initial trans-oceanic flights with land planes, inaugurated around the world service, and steadily expanded the number of destinations they served, both in the US and abroad.

Pan Am made serious mistakes during its time that led to the demise of the company.

The ordering of 25 Boeing 747s, based on the assumption that international travel would continue to grow at 15% per year indefinitely, and jet fuel prices would remain low was a failure.

Pan Am had applied for routes within the continental US several times, but had consistently been rebuffed by the US Government.

For many years, Pan Am had wanted to buy National Airlines, which linked Pan Am's main gateways of New York City, Miami, Los Angeles, and San Francisco.

The merger of Pan Am and National was disastrous for Pan Am. Pan Am agreed to increase the wages of National's unionized employees to the much higher salaries earned by Pan Am's staff, which meant that flights that were profitable at National's low cost levels became unprofitable at Pan Am's higher costs.

Unrest in the Middle East caused oil prices to rise substantially was another factor of increased costs of the merged Pan Am / National.

While Pan Am struggled to integrate National, other airlines, ranging in size from TWA to new entrants like Air Florida, aggressively attacked the merged airline's routes between the northeast and Florida with low fares that further increased Pan Am's losses.

The terrorist's activity in 1986 and the Chernobyl nuclear accident redced the traffic for Pan Am greatly, resulting in more loss.

The 1998 Lockerbie accident was particularly important in the Pan Am's demise.

In the end Pan Am applied for Chapter 11 Bank- ruptcy Protection in the US courts on 8 January 1991.