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16550

Course Title: Organizational Behavior

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

After going through the case study of one of the best airlines of its time Pan American Corporation, my humble thoughts regarding the collapse of this vary organization is the lack of communication and a better and prompt crisis management processes. I agree that better communication results in minimizing the uncertainty. Experts on organizational management have devised crisis management processes after doing proper academic, practical and research work and I believe, any organization in any part of the world can never go off the track if it follows all the devised processes for better organizational management. Crisis management process for organizations occur in 3 phases, the crisis of management, the operational phase and the crisis of legitimation. The demands of each phase will create a series of specific requirements for managerial action in order to prevent a crisis or limit its impact which can only be assured by a prompt communication system in the organization. I've been through the 7C's of crisis management in this case study and I've been very fascinated by it. It is a very thorough and profound set of processes to be followed to minimize any crisis in the organization. The 7C's of crisis management are very much interlinked with each other and to minimize any crisis, it is demanded that all the 7C's of crisis management are taken into full account. The 7C's of crisis management have very fairly termed as "The Recipe for Crisis Management" and no doubt, it is a perfect recipe for crisis management. I'm of the view that if 7C's of crisis management have been followed by the then management of Pan Am, they could have minimized the crisis of the organization and could have prevented the collapse or fall of one of the best airlines of its time.

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

After reading this case study, I've come to the conclusion that Pan Am was somewhat flexible in their decision making. Pan Am was once one of the best airlines of its time but with the passage of time, it came across historical events which it didn't create but Pan Am got hit with them. My viewpoint regarding their flexibility in decision making comes from a few events/decisions which are as follow;

- With the advent of deregulated US Air Travel in 1978, Pan Am got exposed to increased competition. As long as government's regulation existed, the weakness of feeder routes was a constant restriction to the company's growth. However, with the advent of deregulation, the lack of feeders became 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 in 1979. However, the purchase of National was deemed a strategic error, given that the cost of the acquisition was excessive in terms of cash.
- When the acquisition of National Airlines couldn't help in the turnaround of Pan Am, it decided to bring new management team to run the airline and initiate a

restructuring programme. After the purchase of National Airlines and the sale of its New York offices in 1980 to release assets, Pan Am appointed Edward Acker, formerly of Texas Air, as Chairman in 1981, in order to lead the corporation's essential restructuring programme.

- The new management brought some good reforms but again, there were historical events in the world which affected the business and growth of Pan Am. Due to Chernobyl events, majority of the tourists from the US stopped going to Europe due to terrorist threats and radioactivity which affected the traffic and business of Pan AM because it greatly depended on the traffics from trans-Atlantic routes.
- Again, another incident of bomb blast in an airplane of Pan Am greatly dented the airline's reputation which killed up to 300 of the passengers and other people on the ground where the plane fell.

I jotted down the above events just to give a reference to my understanding of the decision making of Pan Am's management. They continuously tried to make the airline keep growing but historical events as well as their **wrong understanding of situations** lead it to being closed down in 1991. Just like, when they acquired National Airlines, they thought it would give the airline a boom but eventually, the airline got out of cash due to that acquisition.

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

In my opinion, the failure of Pan American Corporation was not due to a single mistake, but it was a slow erosion process. Events one after another lead to the failure of this airline. If we want to know about the mistakes of Pan Am's management which lead to the failure of the airline then we will have to discuss chronologic decisions that were made which lead to the failure of Pan Am. When Acker was the head of the airline, he believed in divestment while attempting to remain in an increasingly competitive area of operations. When Acker sold the Pacific routes, it represented the end of Pan Am's future because these routes were increasingly competitive and mature routes which resulted in reduced load revenues.

Another mistake they did was the acquisition of National Airlines in 1979. The purchase of National Airlines was deemed a strategic error, given that the cost of the acquisition was excessive in terms of cash. Their wrong understanding of situations lead it to being closed down in 1991 when they acquired National Airlines, they thought it would give the airline a boom but eventually, the airline got out of cash due to that acquisition. The turnaround initiatives taken by the new head of Pan Am 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 could have been taken, the cultural barrier from stakeholders 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. This was all about their mistakes which led the end game of Pan American Corporation.

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

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The first phase of crisis of management sets the potential for crises. It is here that the organization's culture and communications serve to incubate the crisis until a trigger event propels the organization into the operational phase of the event

One of Pan Am's initial problems was that it found itself in the post-deregulation 1980s 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 in the future. With Pan Am's fortunes waning during the highly competitive 1980s, the organization's

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

Pan Am was for many years, the premier airline in the USA with a history of international travel stretching back to its foundation in 1927. 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 stakeholders ensured that Pan Am would attempt to recover. During the initial

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Pan Am was once one of the best airlines of its time but with the passage of time, it came across historical events which it didn't create but Pan Am got hit with them. My viewpoint regarding their flexibility in decision making comes from a few events. With the advent of deregulated US Air Travel in 1978, Pan Am got exposed to increased competition. As long as government's regulation existed, the weakness of feeder routes was a constant restriction to the company's growth. However, with the advent of deregulation, the lack of feeders became 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 in 1979. However, the purchase of National was deemed a strategic error, given that the cost of the acquisition was excessive in terms of cash. When the acquisition of National Airlines couldn't help in the turnaround of Pan Am, it decided to bring new management team to run the airline and initiate a restructuring program. After the purchase of National Airlines and the sale of its New York offices in 1980 to release assets, Pan Am appointed Edward Acker, formerly of Texas Air, as Chairman in 1981, in order to lead the corporation's essential restructuring program. The new management brought some good reforms but again, there were historical events in the world which affected the business and growth of Pan Am. Due to Chernobyl events, majority of the tourists from the US stopped going to Europe due to terrorist threats and radioactivity which affected the traffic and business of Pan AM because it greatly depended on the traffics from trans-Atlantic routes. Again, another incident of bomb blast in an airplane of Pan Am greatly dented the airline's reputation which killed up to 300 of the passengers and other people on the ground where the plane fell.