Assignment 2

American Airlines falling brand problem amidst the Covid-19 pandemic

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**Introduction**

The Coronavirus 19 pandemic has humbled our world in 2020, demonstrating to us all that money, power, and desire cannot stop the quick transmission of a virus around the globe. Looking through the lens of transmission, the global airline industry played a significant and painful role in the initial spread of COVID 19, prompting many nations to close their borders and airways in an effort to stave off growing infection rates. Now, several months into the pandemic, airlines are painfully experiencing the realities of the widespread impact of this virus on our businesses, families and leisure pursuits. American Airlines, the “largest and arguably most prestigious airline” (Pallini, 2020) was in many ways suffering from a brand image issue before the pandemic, and that has only been made worse. American Airlines first brand was launched in 1934, updated in 1945, 1962, 1968 and lastly in 2013 (Brand Culture, 2013). And while a logo does not carry the culture of the company it is intended to call culture to mind for customers and employees alike. The new brand released in 2013 was intended to carry AA into a new era, putting “customers at the center of everything [we] do” (Wilson, 2013). Somewhere this pursuit derailed as American Airlines CEO Doug Parker declared in 2019, “that [he doesn't see customer service having the same level of importance](https://www.inc.com/chris-matyszczyk/american-airlines-ceo-was-asked-a-brutally-direct-question-about-airlines-problems-his-response-was-breathtaking.html) as leaving on time.” (Matyszczyk, 2019). Kurt Stache, the airline's Senior Vice President of Sales, Marketing, and Loyalty, mused, “It's a long time since we had a brand purpose and a brand campaign.” (Matyszczyk, 2019). So as COVID 19 has brought the airline industry to a near halt, and health regulations and recommendations have added challenging and complex requirements to the situation. It is not surprising that American Airlines is finding itself on the bottom of many lists when it comes to customer service and satisfaction. To add injury to insult, it is also being out-performed by some low-cost carriers in the industry. American Airlines’ problems did not begin with COVID 19, but the pandemic will require AA to quickly change or be irreparably behind the competition.

**Introduction of models used to analyze**

In order to evaluate the nature of the change at American Airlines in this tumultuous time we chose three models of analysis. The diagnostic Four-frame model will allow us to see the organization through various perspectives simultaneously. This creates a deeper understanding and will hopefully give way to creative solutions. (Palmer et al., 2017). Next, we will use two strategic analysis tools: Gap analysis and Scenario planning. Gap Analysis puts change into a clear agenda in order to address the future outcomes. It’s clarity yields consensus and focus (Palmer et al., 2017). Finally, we examine scenario planning as a tool to help embrace the massive amounts of uncertainty with maximized blue-sky dreaming and future opportunity.

**Four Frames Model**

The Four-Frame Model is defined by the book Managing Organizational Change as “the four different frames or lenses” (Palmer, et al., 2017, p.107) to look at an organization’s functions. The Four-Frame Model utilizes four metaphors to describe the structural, human resource, political and symbolic frame (Palmer, et al., 2017, p.108). This report will discuss each framework to the climate at American Airlines.

The metaphor used to describe the structural framework is that of a “factory or machine” with “central concepts of roles, goals, policies, technology, and environment” (Palmer, et al., 2017, p.108). In the case of American Airlines, the structural framework is relevant to the issues that arose during COVID-19. American Airlines, unlike their competitors, struggled to quickly make changes and adjust to the new requirements of COVID19. In the article by Thomas Pallini, he states he “was shocked to find that the largest and arguably most prestigious airline, American, was doing the least for passenger safety” (Pallini, 2020). For American Airlines and many other large “factories or machines,” it is difficult to make changes in policy quickly. Whereas, smaller organizations have the ability to change faster due to less hurdles in the business political climate.

The next framework is “human resources” with the metaphor being “family (Palmer, et al., 2017, 108). American Airlines struggled to align the “organizational and human needs” to the new adjustments of COVID19. As with many companies, mass lay-offs were part of the overall strategy to keep the business afloat during the pandemic. With large losses and flight cuts, American Airline laid off 17,500 employees (Gilbertson, 2020). This large of a layoff will have significant customer service implications in an already struggling business model.

For the “political framework” the organizational metaphor is a “jungle,” and the central concepts are “ power, conflict competition, and politics” (Palmer, et al., 2017, 108). Upon review of this framework, politics had a significant impact on the airline industry. Specifically from a human resource perspective. Many of the lay-offs occurred because of the lack of assistance from the government. Therefore, American Airlines reduced the number of cities they fly too. In addition to the reduction of staff, there is also change in government safety regulations because of COVID19. The challenges have caused a decline in customer service and a lack of consistency in following the regulations.

Lastly, the “symbolic metaphor” focuses on the “central concepts of culture, meaning, metaphor, ritual, ceremony, stories, and heroes” (Palmer, et al., 2017, 108). The CEO Doug Parker openly admitted “[he doesn't see customer service having the same level of importance](https://www.inc.com/chris-matyszczyk/american-airlines-ceo-was-asked-a-brutally-direct-question-about-airlines-problems-his-response-was-breathtaking.html) as leaving on time” (Matyszczyk, 2019). WIth American Airlines missing the “symbolic metaphor” for their employees to follow, the brand does not resonate with the customer. Inherently, customers want to “recommend brands they truly feel good about,” (Matyszczyk, 2019), and American Airlines does not meet that criteria for their customers.

**Gap Analysis**

In the book *Managing Organizational Change*, the authors describe the “gap analysis” as “a simple, flexible, and widely used tool for reviewing the current “as is’ state of an organization, and what has to change” (Palmer, et al., 2017, p.108). The three questions a gap analysis seeks to answer is “where are we now, where do we want to go, and what do we need to do in order to get there” (Palmer, et al., 2017, p.108). The next paragraphs will outline the answers to these three questions based on readings about American Airlines current state of business while adjusting to COVID19 safety requirements.

In order to answer the question “where are we now,” the group focused on quotes about customer service prior to COVID19. According to the *Business Insider* article by Thomas Pallini, he states prior to the pandemic he “wasn't the biggest fan of American Airlines before the pandemic but I would've gladly flown them ahead of its low-cost competitors” (Pallini, 2020). This means that American Airlines had some branding issues prior to the pandemic, and the pandemic exasperated those issues that were already present. A New York Times article cited by Pallini stated a couple wished to change seats to ensure social distancing, and they were denied because “they had not paid for those exit row seats, which are more expensive” (Glusac, 2020). Therefore the current state of the business is to focus on profit and timeliness not safety, customer service or protection of the brand image.

The second question seeks to answer the question, “Where do we want to go?” As a change leader, I would suggest the company take a stance to assess their current brand image with the customer and the customer service experience during the pandemic. The goal would be to accommodate customers within reason while complying with COVD19 government guidelines of mask wearing, sanitation, and social distancing. Additionally, improve the brand experience by creating a brand image.

Lastly, the final question focuses on “what do we need to do in order to get there?” One of the steps could be to service with customers to discover what gaps in customer service. Next, they can survey the employees barriers to providing good customer service. Based on the results of the survey, the organization can determine logical steps to solve the problem that would work for the employees and customers within the confines of company policy and government regulation.

**Scenario Planning**

Scenario planning is a tool for strategic planning that stands apart from more rigid models in its ability to capture a wide scope of possibilities with detail. “By identifying basic trends and uncertainties, a manager can construct a series of scenarios that will help to compensate for the usual errors in decision making- overconfidence and tunnel vision” (Schowmaker, 1995, 24). American Airlines needs to deal with uncertainties and overcome the oppressive tunnel vision that this pandemic has imposed on us all. To arrive at our scenarios, we need to: acknowledge the basic trends impacting AA and the industry, identify the key uncertainties, and understand the interaction between them.

Table 1 looks at the basic trends at play. We are currently experiencing a volatile climate in social, political and health sectors, so the need to look for trends as one makes changes becomes increasingly important in order to anchor our analysis in data. Some of the basic trends at play are an increase in price-alone competition which allows low-cost carriers to be increasingly competitive, even as visible creature comforts are diminishing (Pallini, 2020). There is an obvious macro trend of less air travel in comparison to a year ago, at the same time, a micro trend is showing those numbers daily increasing. Social media’s ability to be louder, faster, and longer than any intentional brand campaign is a trend that houses both incredible possibilities while remaining illusively beyond one’s ability to control the substance. A trend across the industry is the difficulty to stay financially sustainable while adhering to current health officials’ recommendations and customers preferences. The final trend is that AA’s brand image has been declining for years.

Drivers of Change: falling AA brand image

Key Uncertainties

Key Uncertainties

Rules of Interaction

Multiple scenarios

Multiple Scenarios

Figure 1

Basic Trends

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| Table 1 | Basic Trends impacting American Airlines |
| T1 | Increasing price-alone competition: low-cost airlines are progressively competitive as flyers are increasingly motivated by low prices. |
| T2 | Decreasing visible creature comforts: since American Airlines merger with US Airways, they have sought to cut costs by replicating some of the no frills aspects of low-cost carriers including less legroom, seats for purchase, and no in-seat entertainment resulting in less obvious benefits when compared to their low-cost counterparts. |
| T3 | Decrease in customers (historically): fewer people are flying than normal. July 2, 2020 saw 764,761 pass through airport checkpoints in comparison to 2 million on July2, 2019. (Glusac, 2020) |
| T4 | Increasing current number of flyers (within the current crisis): immediate trends since March 2020 show that more and more people are returning to travel by flight. (Glusac, 2020) |
| T5 | Increasing rate and power of social media: allowing for nearly instantaneous reviews to circulate at an ever-increasing rate. |
| T6 | Stuck: to cover costs, flights must operate at least at three quarters capacity. Airlines are trying to do business between a rock and a hard place. |
| T7 | Decreasing AA brand image, and company drift |

Articulating the key uncertainties is what helps to distinguish scenario planning from other types of simulations or contingency planning. Scenario planning allows one to explore the joint impact of various uncertainties while aiming to challenge prevailing assumptions and mindsets (Schowmaker, 1995). Key uncertainties facing American Airlines at this time include:

U1. Will the COVID 19 health crisis impact travel through 2020? 2021? beyond?

U2. Will there be more layoffs or furloughs for employees in order to stay financially soluble?

U3. Will the new promising Pfizer vaccine be widely available by Christmas? by summer 2021?

U4. Will people travel and gather over the coming thanksgiving and christmas holidays?

U5. Will safety be the primary motivating factor for how they choose to travel?

U6. Will the new US administration’s decisions impact the availability of aid for the travel industry?

U7. Will AA promote creative space in this time to discover new solutions, or continue to use outdated models?

Now it is left to examine how these uncertainties interact with the basic trends we listed above in Table 1. By focusing on what would be high impact areas of concern or opportunity, we can illuminate new possibilities and create possible scenarios. T4 and T5 could both be used to an advantage if American Airlines is able to answer U7 with a“yes” to make visible, substantial and quick changes. While U1’s response is certainly in the affirmative, it leads to further sub-questions of “how long?” and, “to what extent?” It is critical to foster curiosity that leads to creativity in this interaction phase. It is in AA’s best interest to again investigate the degree to which U5 will influence those choices. This will allow AA to consider the T1 realities in light of a growing need for health safety within travel preferences. Further analyzing the probability of a “yes” answer to the questions (U1-U7) and comparing them to our multiple scenarios below allows American Airlines to know where to put its energy. Below are listed three scenarios possible for American Airlines, as well as an audacious one.

* *Safe Skies*: AA re-stories itself in the eyes and experience of employees and customers as the most proactive and safest airline to fly.
* *Empty Skies:* AA’s brand sinks into disrepair, even as the pandemic gives way to increasing travel, customers choose other options for their travel needs.
* *Profitable Skies:* AA creates out of the box ideas escaping from the “between a rock in a hard place thinking” tunnel vision that other airlines were tricked into during the difficult pandemic times of 2020.
* *Safe and Profitable Skies:* An audacious scenario combining *Safe Skies* with *Profitable Skies*.

**Missing Information**

Based on the analysis, there are some pieces of information that are needed to predict the outcome of the future of American Airlines more accurately. It would be helpful to have some data from the customer satisfaction surveys prior and during COVID19. The customer satisfaction surveys would be helpful to determine where services falter and isolate issues. When you tie customer satisfaction surveys with observations, you can get an accurate viewpoint of the gaps in service. Since the group is missing in-person observations, we utilized articles that had reviews of service before and after. However, the group understands that these articles can be biased. In addition to customer satisfaction surveys and observations of service, the group is also missing information on how policies and procedures are created and rolled out, how the teams are held accountable to following the guidelines, and employee feedback. Without knowledge of the climate to make a change in policy, we do not know the impact of how a policy is delivered. It can be assumed that without proper roll-out of a policy could cause a gap in customer service, but that statement cannot be confirmed due to a lack of information. Employee feedback on the roll-out of policies and procedures would help in creating an understanding of how the employees viewed that change in policies. Employee feedback is essential because they are the closest to the customer. When you compare employee feedback with customer satisfaction surveys, a change leader can gain insight on how to proceed with improving service. The final item that we are missing is knowledge of how long the pandemic will last and what the impact will be on the industry. Without this knowledge, it is impossible to predict if any of the suggestions would work for the future.

**Recommendations and Readiness for Change**

The research and articles reviewed suggest that there were issues with customer service prior to the pandemic. Therefore, the culture is not rooted as a genuine customer first culture. The first suggestion would be to start with a survey of both the customers and employee satisfaction in order to determine next steps to change the culture. Next, would be to create a plan to engage the employees to improve the service levels while maintaining on time flights. The company could do a competitor analysis to determine how positive brand image impacts customer loyalty, overhaul their rewards program, and create a brand image that connects with their core clientele. The overall goal is to have a combination of *Safe and Profitable Skies*.

To assess the American Airlines readiness for change, the group used eight questions to identify American Airlines receptiveness for change (Palmer, et al., p.117). Below are the conclusions based on the questions of American Airlines receptiveness to change. While there are many unknowns, the pair was able to make some assumptions based on the research articles reviewed. Overall, it is understood that when there is pressure to change, American Airlines has the capability to change quickly. They have proven this by instilling new policies and guidelines during the pandemic. However, CEO, Doug Parker, does not see improving customer service as a main priority (Matyszczyk, 2019). Parker’s preference for operational effectiveness over customer service could be an issue to enact change. If the CEO does not believe in the direction, there would not be a successful roll-out of a strategy to improve customer satisfaction.

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| Question | Answer |
| 1. Is there pressure for change? | Yes. There is pressure to change quickly to comply with government safety regulations for COVID19 |
| 1. Is there a shared vision of the goals, benefits, and direction? | No. The CEO of American Airlines does not believe that customer service is as beneficial as having on time flights. |
| 1. Do we have effective liaison and trust between those concerned? | Unknown. While this question is unknown, we do know that service levels were an issue prior to COVID19. |
| 1. Is there the will and power to act? | Yes. The pandemic caused the entire industry to change quickly. The “will” to keep up with the competition and gain market share is strong. |
| 1. Do we have enough capable people with sufficient resources? | Unknown. There is not sufficient knowledge of the American Airlines infrastructure. |
| 1. Do we have suitable rewards and defined accountability for actions? | Unknown. There is knowledge of the customer rewards but not enough understanding of how the employees are held accountable. |
| 1. Have we identified actionable first steps? | Yes. We have identified the first step is to survey their employees and customers. |
| 1. Does the organization have a capacity to learn and to adapt? | Yes. American Airlines adapted and changed throughout the years and has made it through several recessions. |

**Conclusion**

Based on the four frame model, gap analysis, and strategic planning framework, the group discovered that customer service issues were a problem prior to the pandemic. The pandemics guidelines served to exacerbate the customer service issues that were already challenged in American Airlines. Therefore, the findings are that the customer service issues are rooted more deeply within the customer service culture than originally thought. This was confirmed by a 2019in a *New York Times* article written by Matyszczyk. The CEO states that customer service is secondary to getting flights to be on time (Matyszczyk, 2019). In conclusion, the goal would be to have both *Safe and Profitable Skies* during and post-pandemic in order to avoid the worst case scenario of *Empty Skies.*

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