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College of Business and Management
Department of Business Economics

A Strategic Management Paper

for

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ASIANA AIRLINES

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BACKGROUND OF THE ENTITY

Asiana Airlines Inc. formerly Seoul Airlines is one of South Korea's two major airlines, along with Korean Air. Asiana Airline has its headquarters in Asiana Town building in Seoul. The airline has its domestic hub at Gimpo International Airport and its international hub at Incheon International Airport (70 kilometres (43 mi) from central Seoul). It was founded on February 17, 1988.

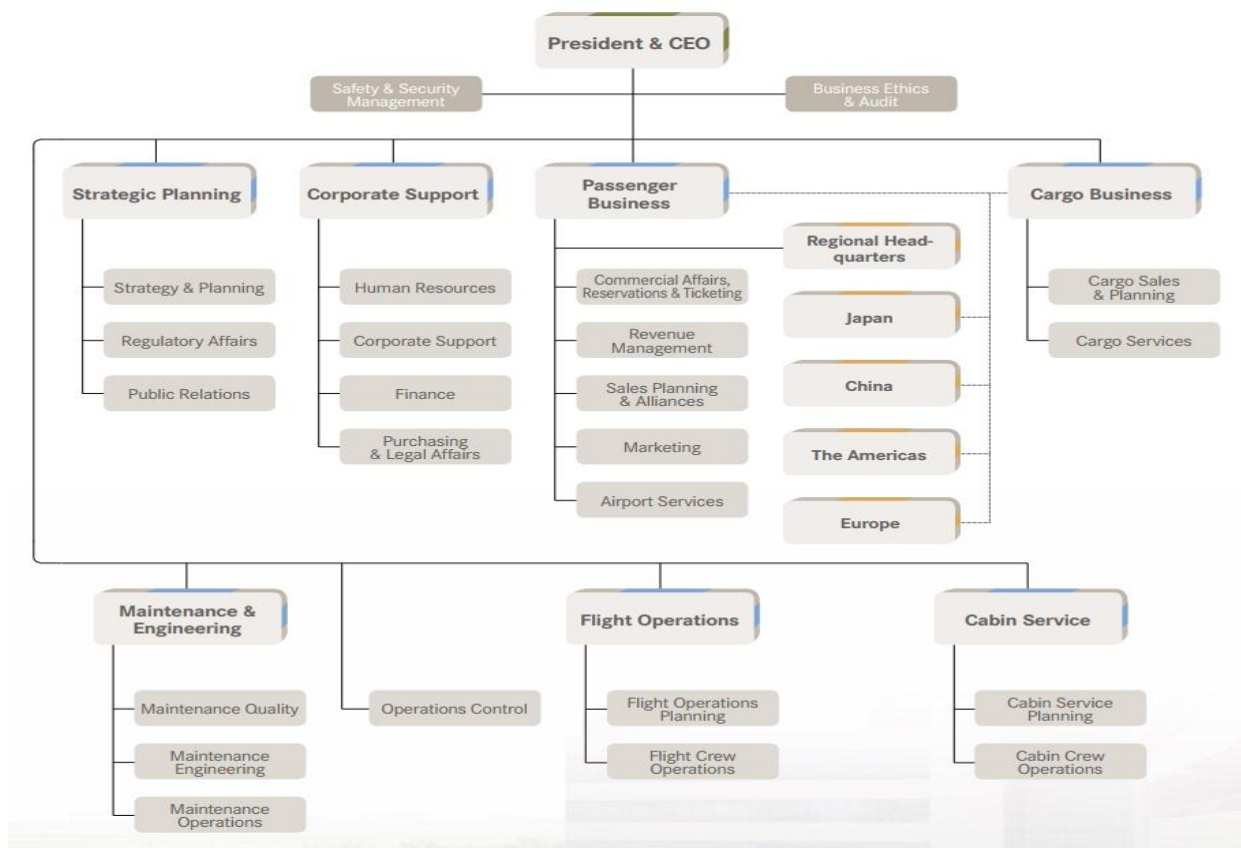
As of December 2014, the company employs 10,183 people. The majority of Asiana's pilots, ground staff, and flight attendants are based in Seoul. Asiana Airlines is the largest shareholder in Air Busan, a low-cost regional carrier joint venture with Busan Metropolitan City. The airline also holds 100% share of Air Seoul, a subsidiary and its own low-cost carrier. Asiana is also currently an official sponsor of the South Korea national football team and The Presidents Cup 2015.

Asiana Airlines has fully committed to providing its valuable customers with innovative and world-class services since its foundation in 1988.

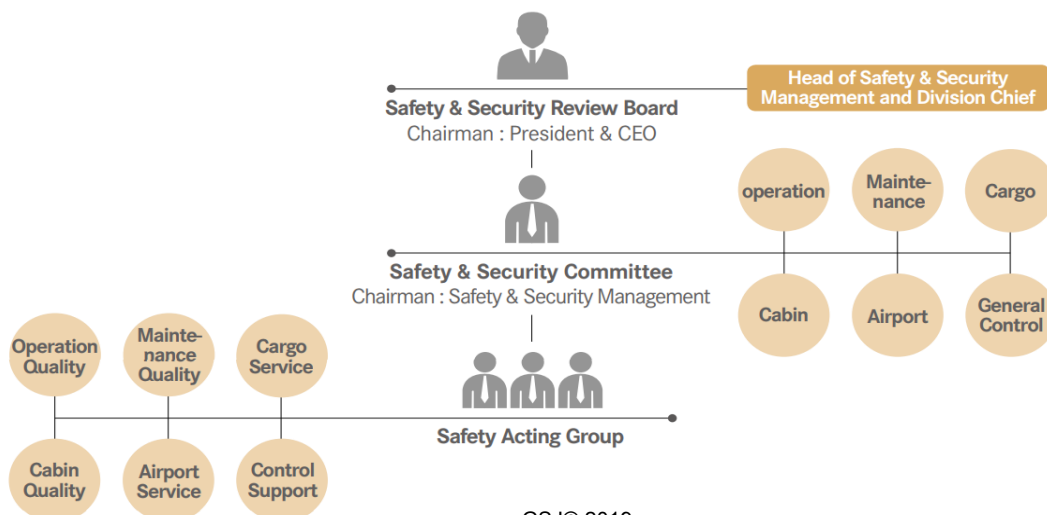
As a proud member of Star Alliance, Asiana Airlines has continued to maintain its 5-star rating by Skytrax for 9 consecutive years since the year of 2007 and also received the 'Airline of the Year' award from Air Transport World (ATW) in 2009, Skytrax in 2010, Global Traveler in 2011 and Premier Traveler/Business Traveler in 2012.

With only 28 years of history, Asiana Airlines has achieved a remarkable growth, operating 83 aircrafts to 24 countries, 75 cities, and 89 international passenger routes. For cargo flights Asiana Airlines operates 26 routes to 28 cities in 12 counties.

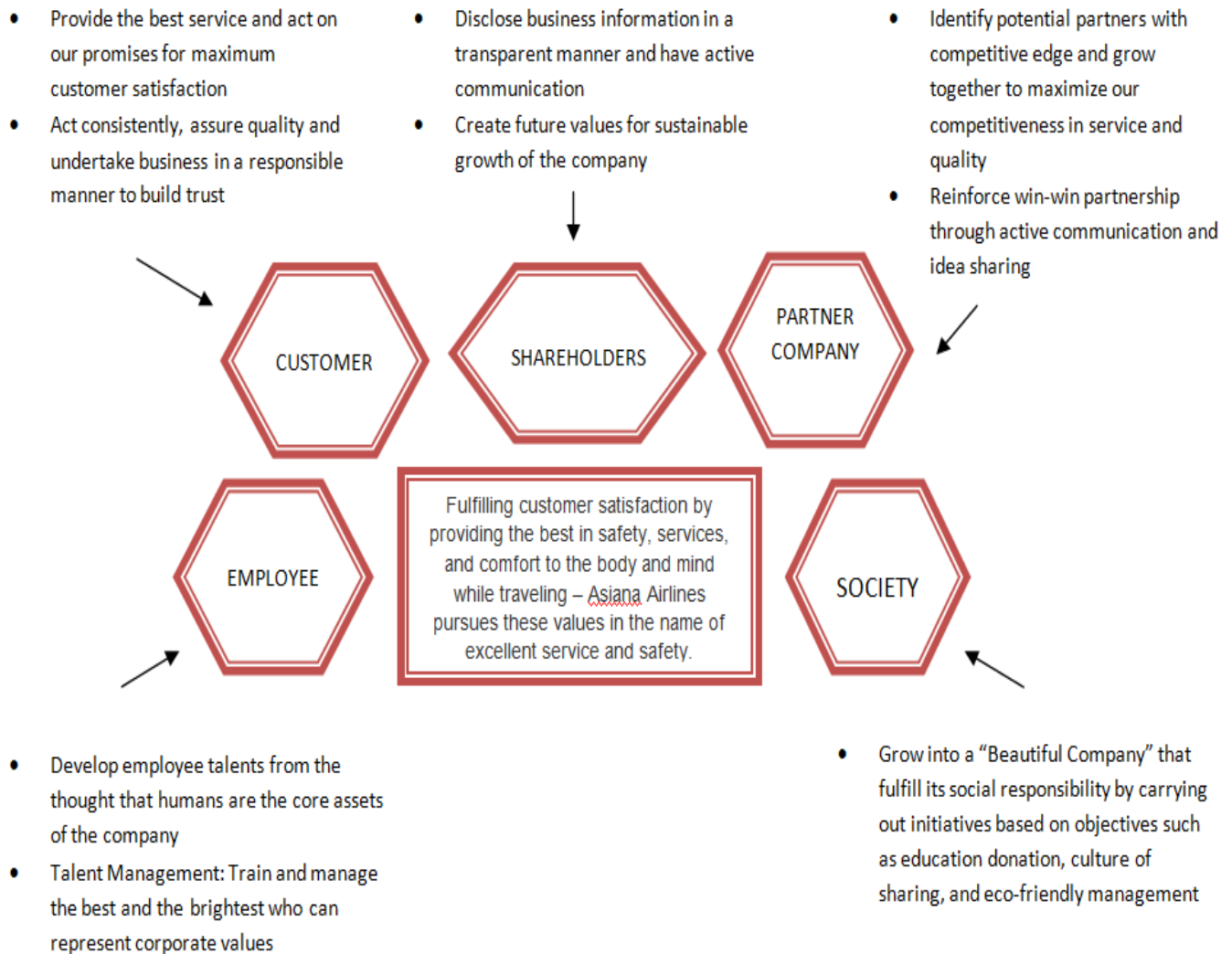
ORGANIZATIONAL STRUCTURE



Organizations for Safety & Security Management



MISSION



COMPONENT OF MISSION STATEMENT

Company philosophy	✓
Company Identity	✓
Products and Services	✓
Customers and Markets	✓
Geographic Focus	✓
Obligation	✓
Commitments	✓

EFFECTIVE MISSION STATEMENT

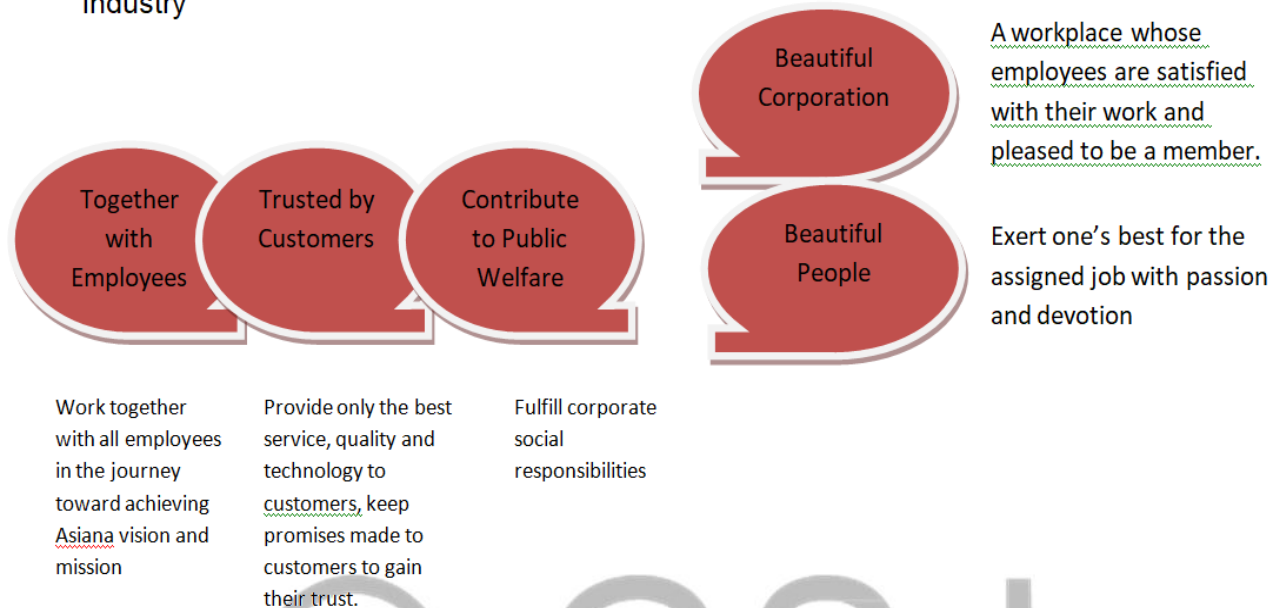
Clearly Accumulated	✓
Relevant	✓
Current	✓
Positive in tone	✓
Individual	✓
Enduring	✓
Adapted	✓

CONTENT OF MISSION STATEMENT

Business Industry	✓
Realistic Market Share	✓
Beliefs and Values	✓
Ownership/Control	✓
Scope of Organization	✓
Specific and Highly Context Dependent	✓

VISION

A beautiful corporation creating the highest corporate value in each related industry



CHARACTERISTIC OF VISION

Conciseness	✓
Clarity	✓
Future Orientation	✓
Stability	✓
Challenge	✓
Abstract	✓
Desired ability	✓

FINANCIAL DATA

	27th Period	26th Period	25th Period
Liabilities			
Current liabilities	2,009,388,516,618	1,747,810,460,513	1,806,649,135,018
Trade accounts payable	109,785,512,257	128,937,173,414	190,478,439,584
Short-term borrowings	35,000,000,000	50,000,000,000	
Advance receipts	282,803,064,393	250,658,851,799	260,801,136,613
Unearned income	2,390,651,144	1,692,942,049	2,150,394,649
Withholdings	43,163,295,206	31,274,267,556	27,490,974,773
Other payables	366,341,664,479	301,228,407,648	318,397,817,136
Accrued expenses	81,881,839,629	76,546,011,948	85,265,123,725
Taxes withheld	127,537,930,753	126,774,052,300	114,571,773,068
Current portion of debentures issued	370,215,721,281	199,867,158,513	376,575,253,388
Current portion of long-term borrowings	95,747,696,732	233,514,012,947	158,564,859,052
Current portion of obligations under financing leases	158,258,869,821	116,666,455,209	122,548,777,123
Current portion of long-term borrowings with asset-backed securitization	336,262,270,923	226,492,202,202	149,804,585,907
Current portion of financial derivative liabilities		4,158,924,928	
Non-current liabilities	3,676,199,516,106	3,491,025,963,051	2,927,209,724,912
Debentures issued	413,229,062,944	693,269,985,898	685,764,564,123
Long-term borrowings	703,985,927,512	670,384,157,271	740,291,828,448
Obligations under financing leases	989,653,180,461	623,504,749,965	608,287,244,705
Long-term borrowings with asset-backed securitization	762,766,948,124	755,312,115,021	231,363,799,335
Other long-term employee benefits	231,901,123,213	195,612,615,214	186,168,182,369
Long-term advance receipts	468,793,381,381	432,833,708,208	385,656,940,586
Long-term unearned income	1,736,587,407	2,040,023,367	2,342,630,269
Long-term other payables		9,659,759,878	18,777,747,174
Provisions	99,688,294,183	104,470,727,224	63,228,523,258
Other long-term liabilities	4,445,010,881	3,938,121,005	5,328,264,645
Total liabilities	5,685,588,032,724	5,238,836,423,564	4,733,858,859,930
Equity			
Capital stock	975,506,825,000	975,506,825,000	975,506,825,000
Capital surplus	1,148,869,102	1,148,869,102	1,148,869,102
Other components of equity	(28,488,270,487)	(28,488,270,487)	(28,488,270,487)
Accumulated other comprehensive income (loss)	104,806,657,303	21,180,210,078	17,455,256,732
Accumulated deficit	(258,244,444,944)	(153,953,009,272)	(29,993,904,819)
Total equity	794,729,635,974	815,394,624,421	935,628,775,528
Total liabilities and equity	6,480,317,668,698	6,054,231,047,985	5,669,487,635,458

ENVIRONMENTAL SCANNING

a. External Environment

Opportunities

1. More visibility through sponsorship and advertising
2. Establish customer loyalty

3. New products and services
4. Growing economy
5. Global markets
6. It can commit into partnership with numerous less costly airlines to enjoy their added benefits like landing slots, landing rights and brand name.
7. Rising population of Asia (middle class) will provide bigger market and greater opportunities for low cost Asiana Air lines.

Threats

1. Unforeseeable circumstances or Force Majeure - calamities/natural disasters
2. Emerging Airlines and Competitors
3. Monetary dilemmas
4. Rising Fuel and labor costs make it difficult to provide quality service at low cost
5. Security charges, landing charges, and airport departures, are not under its operators control.
6. Technological and operational problem

b. Internal Environment

Strength

1. Recipient of Airline of the Year award at world Airline Awards
2. Apart from serving destinations on 4 continents, it serves major cities in China, Japan, Southeast and Central Asia thus having a strong hold in these regions
3. Its single type fleet reduces its maintenance fee.
4. Good presence as a low cost carrier
5. Its target group are Price conscious travelers from upper middle class
6. Well-trained and skillful employees

Weaknesses

1. Too much government intervention
2. Lack their own airplanes, maintain services and brand awareness
3. Limited service resource due to lower costs
4. It often receives complaints from its customers regarding flight delays, charges for different things, and refunding problems

EFE MATRIX

	OPPORTUNITIES	Weight	Rating	Weighted score
1	Potential partners who can bring in their expertise	0.11	4	0.44
2	More visibility through sponsorship and advertising	0.9	3	0.27
3	New products and services	0.9	4	0.36
4	Growing economy	0.10	3	0.30
5	Global markets	0.9	4	0.36
	THREATS	Weight	Rating	Weighted score
1	Unforeseeable circumstances or Force Majeure - calamities/natural disasters	0.9	2	0.18
2	Emerging Airlines	0.11	2	0.22
3	Rising Fuel and labor costs make it difficult to provide quality service at low cost	0.12	1	0.12
4	Increasing costs	0.10	2	0.20
5	Monetary dilemmas	0.10	1	0.10
	Total:	1.00		2.55

The table shows the External Factor Matrix where the first column indicates the opportunities and threats of the entity. External Factor Evaluation (EFE) matrix method is a strategic-management tool often used for assessment of current business

conditions. The EFE matrix is a good tool to visualize and prioritize the opportunities and threats that a business is facing.

The EFE matrix is very similar to the IFE matrix. The major difference between the EFE matrix and the IFE matrix is the type of factors that are included in the model. While the IFE matrix deals with internal factors, the EFE matrix is concerned solely with external factors.

The second column illustrates the distribution of its weight according to its importance with a total of 100%

On the other hand, the third column illustrates the rating of the given external factors where 1 as poor and 2 as the superior in the category of threats and 3 as poor and 4 as the superior in the category of opportunities.

Lastly, on the third column, it illustrates the product of weight and the ratings of the factors.

IFE MATRIX

	STRENGTH	Weight	Rating	Weighted score
1	Recipient of Airline of the Year award at world Airline Awards	0.08	4	0.24
2	Apart from serving destinations on 4 continents, it serves major cities in China, Japan, Southeast and Central Asia thus having a strong hold in these regions	0.10	4	0.40
3	Its single type fleet reduces its maintenance fee	0.11	4	0.44
4	Good presence as a low cost carrier	0.12	4	0.48
5	Donate a lot of money for developing countries	0.09	4	0.36
	WEAKNESSES	Weight	Rating	Weighted score
1	Failure to establish promised facilities and services	0.10	2	0.22

	for their target markets (complete tourist-leisure experience)			
2	Not enough strategic actions	0.11	2	0.22
3	Lacks its own maintenance, repair and overhaul (MRO) facility, which serves as its competitive disadvantage	0.09	2	0.18
4	Too much government intervention	0.08	1	0.08
5	Lack their own airplanes, maintain services and brand awareness	0.12	2	0.24
	Total:	1.00		2.86

The table shows the Internal Factor Matrix where the first column indicates the strengths and weaknesses of the entity. Internal Factor Evaluation (IFE) matrix is a strategic management tool for auditing or evaluating major strengths and weaknesses in functional areas of a business.

IFE matrix also provides a basis for identifying and evaluating relationships among those areas. The Internal Factor Evaluation matrix or short IFE matrix is used in strategy formulation.

The second column illustrates the distribution of its weight according to its importance with a total of 100%

On the other hand, the third column illustrates the rating of the given external factors where 3 as poor and 4 as the superior in the category of strengths and 1 as poor and 2 as the superior in the category of weaknesses.

Lastly, on the third column, it illustrates the product of weight and the ratings of the factors.

COMPETITIVE PROFILE MATRIX

Success Factors	Weight	Asiana Airlines		Singapore Airlines		Qatar Airways	
		Rating	Weighted Score	Rating	Weighted Score	Rating	Weighted Score
Advertising	20%	3	.60	4	.80	4	.80
Product Quality	10%	3	.30	4	.40	5	.50
Price Competitive Management	10%	4	.40	3	.30	4	.40
Quality	10%	3	.30	4	.40	5	.50
Financial Position	15%	3	.45	4	.60	4	.60
Customer Loyalty	10%	3	.30	3	.30	5	.50
Global Expansion	20%	3	.60	3	.60	4	.80
Market Share	5%	3	.15	3	.15	4	.20
TOTAL	100%		3.10		3.55		4.30

The Competitive Profile Matrix (CPM) is a tool that compares the firm and its rivals and reveals their relative strengths and weaknesses.

The Company in review

Asiana Airlines = 3.10

The Competitors

Singapore Airlines = 3.55

Qatar Airways = 4.30

TOWS MATRIX

	<p>STRENGTH</p> <ol style="list-style-type: none"> 1. Recipient of Airline of the Year award at world Airline Awards 2. Apart from serving destinations on 4 continents, it serves major cities in China, Japan, Southeast and Central Asia thus having a strong hold in these regions 3. Its single type fleet reduces its maintenance fee. 4. Good presence as a low cost carrier 5. Its target group are Price conscious travelers from upper middle class 6. Well trained and skillful employees. 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. Too much government intervention 2. Lack their own airplanes, maintain services and brand awareness 3. Limited service resource due to lower costs. 4. It often receives complaints from its customers regarding flight delays, charges for different things, and refunding problems.
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. More visibility through sponsorship and advertising 2. Establish customer loyalty 3. New products and services 4. Growing economy 5. Global markets 6. It can commit into partnership with numerous less costly airlines to enjoy their added benefits like landing slots, landing rights and brand name. 7. Rising population of Asia (middle class) will provide bigger market 	<ol style="list-style-type: none"> 1. Focus on improving marketing strategy that includes promoting low costs to attract customer (S5, 01) 2. Partnership with other companies to improve operations and services and achieve customer satisfaction. (S1, 06) 	<ol style="list-style-type: none"> 1. Innovation of products and and services through research and development. (W3,03) 2. Provide overall quality performance, and upgrade facilities for customers, which combine with high quality airport staff service. (W2, W4, 02) 3. Being flexible through additional products and services. (W3, 03)

and greater opportunities for low cost Asiana Air lines.		
THREATS <ol style="list-style-type: none"> 1. Unforeseeable circumstances or Force Majeure - calamities/natural disasters 2. Emerging Airlines and Competitors 3. Monetary dilemmas 4. Rising Fuel and labor costs make it difficult to provide quality service at low cost 5. Security charges, landing charges, and airport departures, are not under its operators control. 6. Technological and operational problem. 	<ol style="list-style-type: none"> 1. Provide an internationally based safety and security system. (S2, T1, T5, T6) 2. Focus on improving marketing strategy that includes promoting low costs to attract customer (S5, T2) 3. Focus on training and educating employees. (S6, T6) 	<ol style="list-style-type: none"> 1. Create a strong brand name through facilities and services improvement. (W2, W4, T2)

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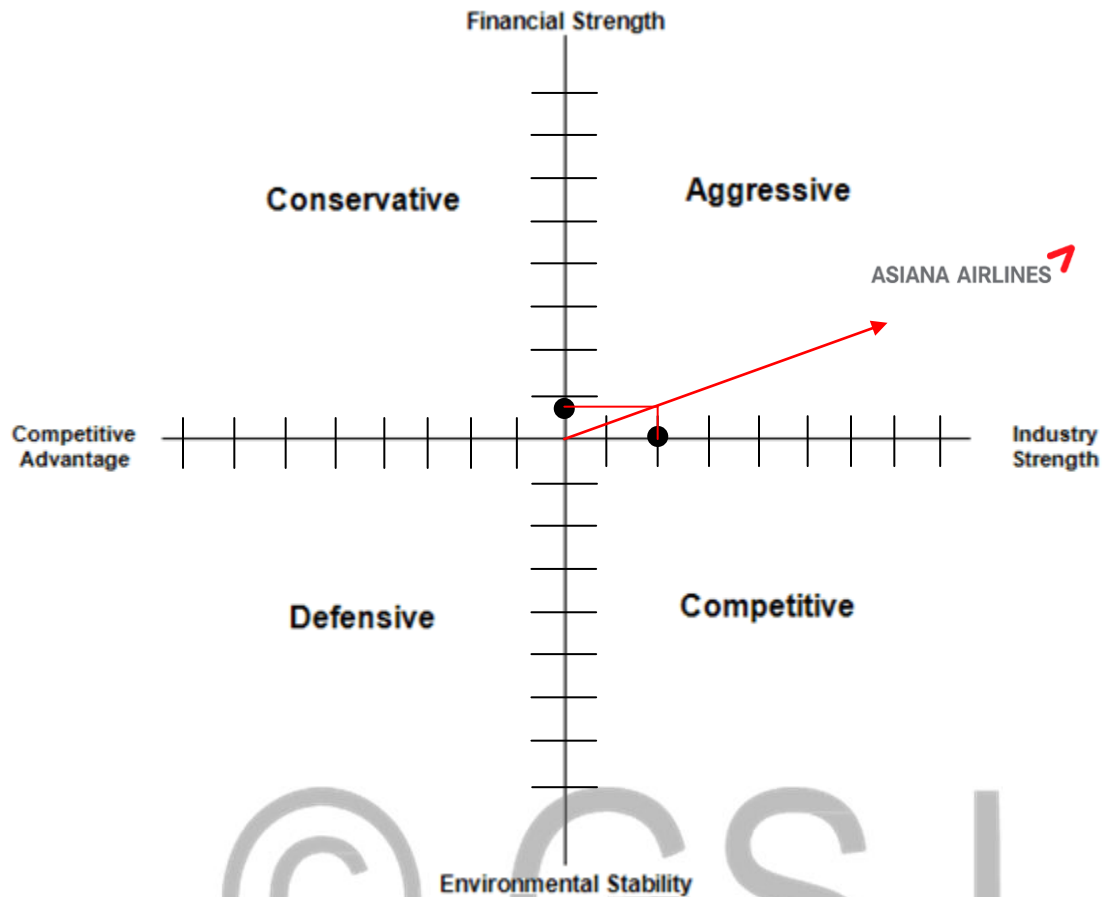
SPACE MATRIX

INTERNAL STRATEGIC POSITION	
Financial Strength	Value (5=best,1=worse)
1. price earnings ratio	2
2. cash flow	5
3. liquidity	3
4. return on investment	3
5.earning per share	4
Average	3.4
EXTERNAL STRATEGIC POSITION	
Environmental Stability	Value (-1=best,-5=worse)
1.competitive pressure	-4
2.price range in competitive product	-3
3.price elasticity of demand	-3
4.demand variability	-1
5.rate of inflation	-2
Average	-2.6

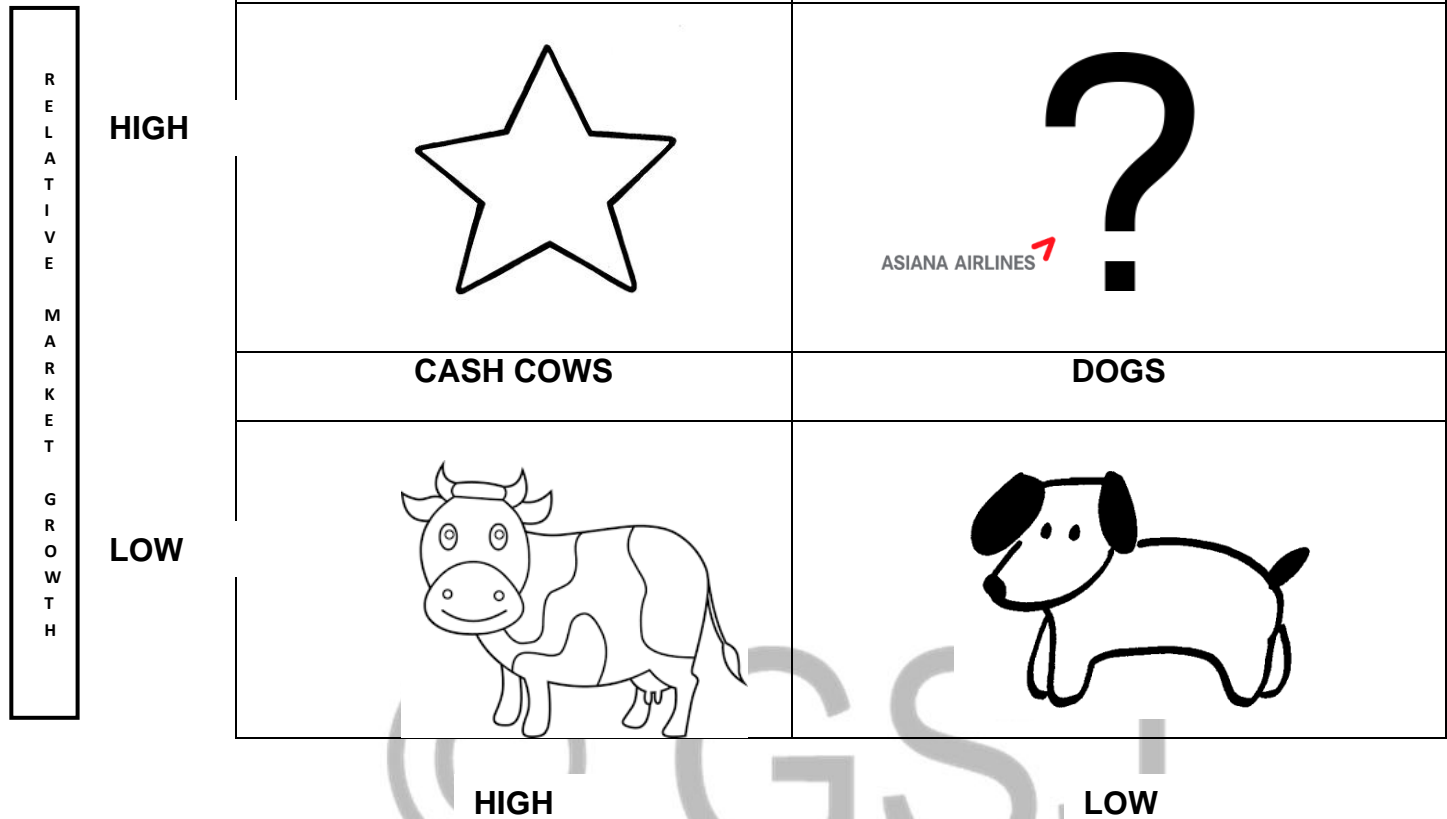
TOTAL AXIS OF Y SCORE: 0.8

Competitive Advantage	Value(-1=best,-5=worse)
1.market share	-3
2.product quality	-2
3. customer loyalty	-1
4.competitions capacity utilization	-2
5. technology know-how	-3
Average	-2.2
Industry Strength	Value(5=best,1=worse)
1.growth potential	5
2.profit potential	5
3.financial stability	4
4.resource utilization	4
5. productivity, capacity utilization	3
Average	4.2

TOTAL AXIS OF X SCORE: 2



BCG MATRIX



	YEAR 2015	MARKET SHARE	YEAR 2016	MARKET SHARE	GROWTH RATE
QATAR AIRWAYS	34,187,000	89%	35,248,298	86%	-3104%
SINGAPORE AIRLINES	15,565.5	4%	15,228.5	4%	217%
ASIANA AIRLINES	4 ,071,000	8%	5,764,000	14%	416%
TOTAL:	38,273,565.5		41,027,526.5		

The Internal-External (IE) MATRIX

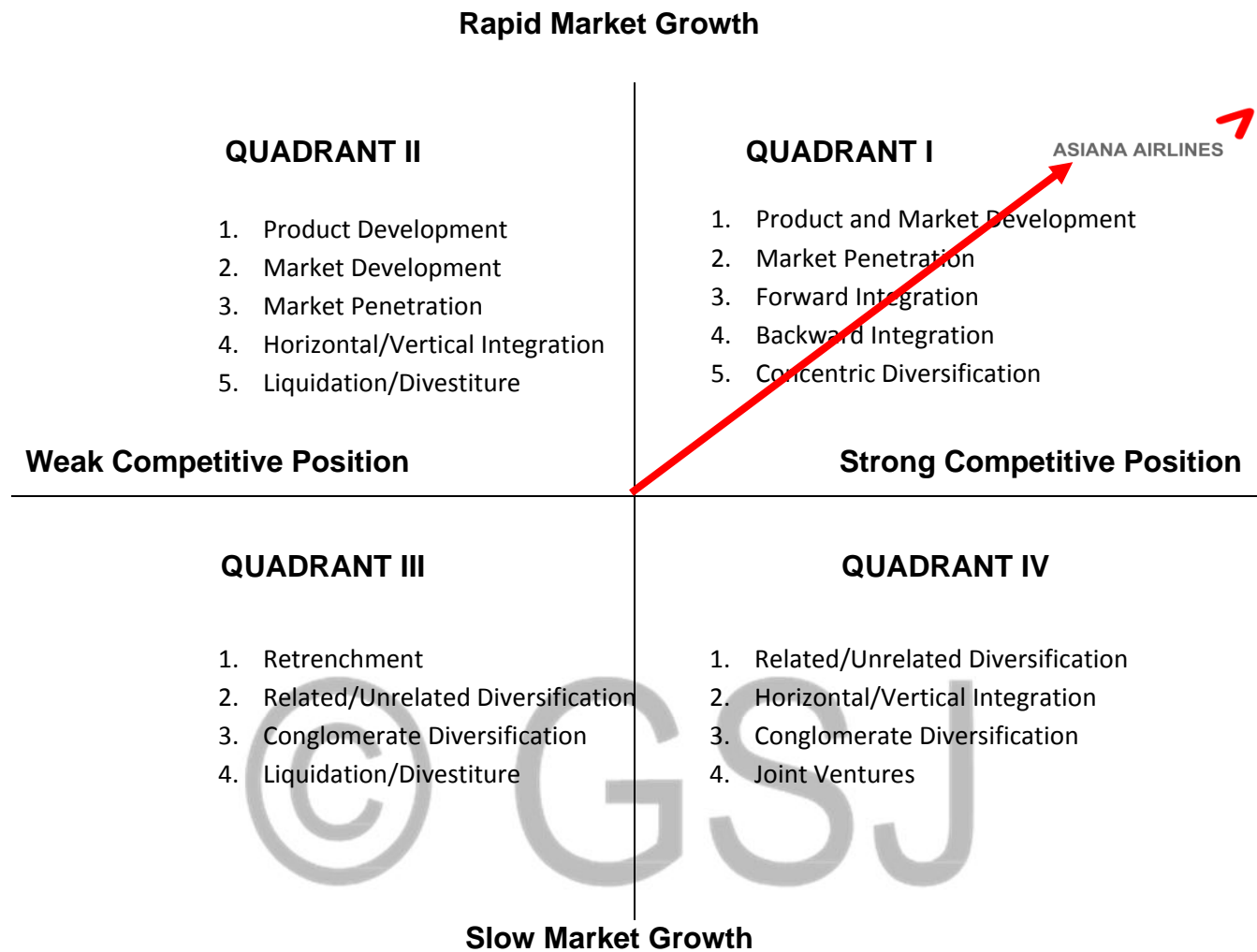
		The total IFE weighted score		
		Strong 3.0 to 4.0	Average 2.0 to 2.99	Weak 1.0 to 1.99
The total EFE weighted score	4.00	I	II	III
	HIGH 3.0 to 4.0			
	2.00	IV	V	VI
	MEDIUM 2.0 to 2.99			
	1.00	VII	VIII	IX
	LOW 1.0 to 1.99			

The divisions that fall under cells 1, 2 or 4 are considered in grow and build region which is the most appropriate region for the divisions.

Secondly, the divisions which comes under cells 3, 5 or 7 can be properly manages with hold and maintain strategies. Market penetration and development strategies are most appropriate strategies.

Last, the 6, 8, 9 cells represent harvest or divest which is the weak position for the divisions.

Grand Strategy Matrix



In the Grand Strategy Matrix, Asiana Airlines was positioned in Quadrant I. A grand strategy matrix consists of a four-quadrant graph that lists strategic options for companies in either strong or weak competitive positions in industries experiencing either rapid or slow growth. Unlike a SWOT matrix, a grand strategy matrix reveals strategic options for virtually any business in a given industry within any stage of the industry's life cycle.

SUMMARY MATRIX

ALTERNATIVE STRATEGIES	TOWS	BCG	IE	GRAND	SPACE	TOTAL
FORWARD INTEGRATION	X	X	X	X	X	5
BACKWARD INTEGRATION						
HORIZONTAL INTEGRATION						
MARKET PENETRATION	X			X	X	3
MARKET DEVELOPMENT	X			X	X	3
PRODUCT DEVELOPMENT	X			X	X	3
CONCENTRIC DIVERSITIFICATION	X					1
CONGLOMERATE DIVERSITIFICATION	X					1
HORIZONTAL DIVERSITIFICATION						
RETRENCHMENT						
DIVESTITURE						
LIQUIDATION					X	1

Development of Alternative Courses of Action

1. Focus on improving marketing strategy that includes promoting low costs to attract customer.
2. Innovation of product and service through research and development.
3. Provide overall quality performance, and upgrade facilities for customers, which combine with high quality airport's staff service.

		STRATEGY 1		STRATEGY 2		STRATEGY 3	
KEY FACTORS	WGT	AS	TAS	AS	TAS	AS	TAS
OPPORTUNITIES							
More visibility through sponsorship and advertising	0.06	4	0.24	-	-	1	0.06
Establish customer loyalty	0.10	3	0.30	2	0.20	4	0.40
New products and services	0.15	3	0.45	4	0.60	4	0.60
Growing economy	0.03	-	-	-	-	-	-
Global markets	0.03	-	-	-	-	2	0.06
It can commit into partnership with numerous less costly airlines to enjoy their added benefits like landing slots, landing rights and brand name	0.06	-	-	-	-	-	-
Rising population of Asia (middle class) will provide bigger market and greater opportunities for low cost Asiana Air lines.	0.04	-	-	-	-	-	-
THREATS							
Unforeseeable circumstances or Force Majeure - calamities/natural disasters	0.15	-	-	-	-	2	0.30
Emerging Airlines and Competitors	0.10	4	0.40	3	0.30	4	0.40
Monetary dilemmas	0.03	-	-	1	0.03	2	0.06
Rising Fuel and labor costs make it difficult to provide quality service at low cost	0.03	-	-	-	-	1	0.03
Security charges, landing charges, and airport departures, are not under	0.10	-	-	-	-	-	-

its operators control							
Technological and Operational Problems	0.12	-	-	-	-	1	0.12
	1.00						
STRENGTHS							
Recipient of Airline of the Year award at world Airline Awards	0.06	1	0.06	1	0.06	1	0.06
Apart from serving destinations on 4 continents, it serves major cities in China, Japan, Southeast and Central Asia thus having a strong hold in these regions	0.06	1	0.06	-	-	-	-
Its single type fleet reduces its maintenance fee	0.03	-	-	-	-	-	-
Good presence as a low cost carrier	0.15	4	0.60	2	0.30	3	0.45
Its target group are Price conscious travelers from upper middle class	0.14	3	0.42	2	0.28	3	0.42
Well trained and skillful employees.	0.10	-	-	-	-	2	0.20
WEAKNESSES							
Too much government intervention	0.03	-	-	-	-	-	-
Lack their own airplanes, maintain services and brand awareness	0.15	2	0.30	1	0.15	4	0.60
It has a limited service resource due to lower costs	0.14	3	0.42	4	0.56	3	0.42
It often receives complaints from its customers regarding flight delays, charges for different things, and refunding problems	0.14	-	-	3	0.42	4	0.56
TOTAL	1.00		3.25		2.90		4.74

ALTERNATIVE COURSES OF ACTION

1. Asiana Airlines target groups are price conscious travelers from upper middle class and has the potential to be more visible through sponsorship and advertising. To be able to attract larger markets and for Asiana Airlines to become a top-of-mind, it is important for the company to **focus on improving marketing strategy that includes promoting low costs to attract customer.**
2. The company has a limited service resource due to low costs but has the capability to offer new products and services. **Innovation of products and**

services through research and development can help the company to exceed customer satisfaction and can help them have a larger market.

3. For Asiana Airlines to establish customer loyalty and create strong brand name, the company must ***provide overall quality performance, and upgrade facilities for customers, which combine with high quality airport staff service***. This will help them avoid customer's complaints regarding unsatisfied service from them.

RECOMMENDATION

Based on the above comparative analysis, I recommend the 3rd alternative course of action: Provide overall quality performance, and upgrade facilities for customers, which combine with high quality airport staff service as the solution to the problem at hand.

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PLAN OF ACTION

ACTIVITY	PERSON RESPONSIBLE	TIMELINE
1. Meeting/Planning with the Head Officers/ Board of Directors	Board of Directors	January-March 2018
2. Distribution of assigned task/responsibility to different management	Board of Directors	1 st week of March 2018
3. Airport Staff Training	Human Resources Management	2 nd week of March-2 nd week of September 2018
4. Evaluating facilities needed to be replaced, improved and upgraded	Operational Management	3 rd week of September-December 2018
5. Sorting out useable and unusable equipments	Operational Management	January-August 2019
6. Buying and building new upgraded equipments	Operational Management	September 2019-February 2020
7. Testing its effectiveness	Operational Management	March-June 2020
8. Monitoring the results	Operational Management, Board of Directors, Human Resources Management	July-December 2020