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Applying singapore airline's human resource management strategy for service excellence at Pakistan International Airline

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APPLYING SINGAPORE AIRLINE'S HUMAN RESOURCE MANAGEMENT STRATEGY FOR SERVICE EXCELLENCE AT PAKISTAN INTERNATIONAL AIRLINE

This Project Report is submitted to the School of Business Studies as partial fulfillment of Master of Business Administration

by

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Executive Summary

The purpose of the study was to develop human resource management strategy for service excellence at Pakistan International Airline (PIA). We studied HRM strategy of various airlines and chose Singapore International Airline's (SIA) HRM strategy due to in depth study by researchers for over ten years. Further, the similarities between PIA and SIA as both are state owned and both of their states got freed from British rule. Through our secondary research and literature review, we learned that SIA's HRM strategy stands on five cornerstones 1) Stringent Recruitment & Selection 2) Training & Retraining 3) High performance Service Delivery Teams 4) Empowerment 5) Motivation. Our methodology was to conduct interviews with PIA's HR department officers to understand policies, procedures and overall HR strategy of PIA. We further conducted Gallup Q12 survey to gauge employee pulse and SIA Strategy survey to find employee's opinion about how much PIA follows it. The result of employee engagement was positive however, the result of SIA strategy survey was negative. We performed financial analysis, SWOT analysis, Porter's 5 forces analysis, Internal and External environment analysis. Based on these analyses we determined minor problems and found out major problem at PIA which is that the PIA being run as Government department rather than a commercial airline. We concluded that PIA had no strategic HRM in place, the departments are working in silos and the functions strategy are not aligned to Business strategy. We recommended following SIA's HRM strategy to achieve service excellence, further we also recommended strategic alternatives for restructuring of HR such as Rightsizing, increasing communication through town hall and staff engagement, increasing synergy among departments through Go Forward Plan, increasing autonomy of the management, Introducing performance management system through KPI and deliverables.

Keywords: Strategic HRM, HR Restructuring, Aviation, Motivation, Employee empowerment, Successful Delivery Teams, Stringent Recruitment, Training & Retraining, Leadership, Service Excellence, Bad Governance, Rightsizing, Meritocracy, Uncertainty, External influence

Chapter 1

Introduction

1.1. Air Transport Industry

Air Transport is essential to global economic development. Electronic media and air transport are the catalyst to globalization in the world – enabling exchange of goods, people, capital, technology, information, and ideas. For global trade, it carries vital importance for manufactured goods and transfer of human capital. Tourists travelling by air are expected to spend 559 Billion in the next year as per analysis from IATA (IATA Airline Industry Economic Performance 2020).

Total employment generated by air transport sector is 42.8 Million (directly and indirectly both) across the globe. Governments across the globe have also benefitted in the form of taxes; combined taxes paid by the air transport was USD 111 Billion per year on average. Banks and Capital Investment companies have also made strong returns on extending debt facilities to aviation companies. Aircraft manufacturers and service companies' deliver 1000+ aircraft every year to various airline companies. Though this year the deliveries were subdued due to low demand. Fuel bills for air transport sector hovers around USD 70-78 Billion based on USD 45-46/b for the Brent crude and average jet price of USD 49/b. Fuel is majorly the large of airlines that the airlines continuously focus on achieving efficiency improvements. Currently airline sector employs 2.9 Million people directly with average employee contributing 531,171 Available Tonne Kilometers (ATKs) a year. Entities supporting infrastructure play a key role in the service that airline provide to their customers ensuring pleasant experience in terms of timeliness, security, travel related services. North American, European and Asia Pacific airlines are the top performing airlines in the world. Whereas Middle eastern, African and south Asian airlines struggle the most in terms of revenue growth.

1.2. Global Economic Performance of the Industry2020

The airline industry has been severely impacted due to Covid19 Pandemic and recovery has been muted in most of the markets due to travel restrictions. Recessionary phase has led further slowdown in the recovery. As per IATA, global revenue per Km (RPK) have declined by 66%, which is by far the largest every decline after World War II. Air Cargo has supported the airlines in terms of revenue and global supply chain and shall

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reached pre-covid levels on the back of world trade rebounding. Vaccines and decline in infection rate would support air travel by 50% of 2019 levels next year. Airlines globally have been cutting cost, restructuring organization structure, restructuring debts and leases to mitigate cash flow constraints Few large organizations have financials strength to absorb recessionary pressure, but smaller organizations do not. Globally airlines pay combined taxes of USD 111 Billion pa, but Covid19 required life support of USD 173 Billion. Airlines from Asia Pacific region is expected to recover first, followed by other developed markets.

1.3.   Local Aviation Industry

Local airline industry comprises a total of four airline companies: Pakistan International Airlines (PIA), Air Blue, Serene Air and Air Sial. Air travel in Pakistan has experienced stagnant demand due to impact of oil prices and PKR/USD devaluation that leads to inconsistent increase in ticket prices. As per Civil Aviation's Statistics for the period Jul 2018 to Jun 2019 PIA dominates the domestic and international air travel in Pakistan (Table 1. 1). Air travel passenger has been declining YoY in Pakistan, reason is higher air ticket prices and reputation of airlines on the back of frequent air crashes. Both local airlines are among the top 10 airlines having most air crashes in the past ten years and have the lowest safety ratings. PIA's market share has been slightly increasing due to competitive advantage in terms of route and flight frequency and extremely low level of competition from the existing players. Foreign airlines besides international routes also dominate the cargo and mail services whereas PIA is the only local player in the domestic market. Currently local airlines draw significant income and profitability from GCC routes, however due to pandemic, changes in geopolitical environment, reliance from GCC routes should be reduced and further diversification to newer routes is important.

1.3.1.   Aircraft fleets details of local airlines:

* Among local airlines, PIA holds the higher number of fleets with a total size of 31 and 8 more are in process of onboarding/leasing (Table 1. 2).

1.4.   Business Risk

The aviation industry in Pakistan is not different from the aviation sector across the globe, the industry is characterized by unforgiving constraints caused by geopolitical, commodity price volatility, macroeconomic environment, and inefficiencies at organization level. Barriers to entry are lower in terms of arranging capital for

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acquisition of aircraft, however, the challenges are that of issuance of license to operate, which is not granted easily due to monopolistic and political influence of PIA. Further, declining demand of air travel in the country on the back of higher ticket prices as domestic travelling via by car, bus and train is still highly economical. Significant cost of business is the prevalent issue and financial risk of the airline industry. Fixed costs include aircraft lease charges, capital, labor and variable costs include fuel, cost of compliance to international standards of safety, maintenance, hours of operations and restriction on landing rights, routes and time slots. Overall industry tends to have stronger cash flow with higher depreciation and amortization. Efficiency of airline is very much dependent on availability and lower price of aircraft fuel. Although any impact of cost is immediately passed on to customers, however, due to competition the ability to fully pass on the impact of cost is becoming major issue for the airline companies. Local airlines do not market non-Pakistanis across the world, rather markets to Pakistanis and Non-resident Pakistanis only, this approach has led to significant reliance on specific route such as GCC countries. Another reason for that is Umrah & Hajj flights as well. This is a major risk, keeping in view any shift in geopolitical environment or visa restrictions, the airline companies would face severe losses. Overall safety, quality and other inflight services are below average in comparison to other international airlines.

1.5. Company Profile

Pakistan International Airlines Corporation Limited (PIA) was incorporated in 1955 under the Pakistan International Airlines Company Ordinance, 1955. The company has been converted from a statutory organization into a public limited company, limited by shares through Pakistan International Company Act 2016. The company has assumed all the tangible and non-tangible assets and financial and non-financial obligations of the company.

PIA is a national flag carrier and operates as a commercial airline, managing three businesses Passenger, Cargo and Mail/Postal carriage services. Other activities include engineering services and hotels. The company is headquartered in Karachi at PIA Building, Jinnah International Airport. Recently the entire office and staff has been relocated to Islamabad.

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1.5.1. Vision

PIA's vision is to be a world class profitable airline meeting customer's expectation through excellent services, on time performance, innovative products, and absolute safety.

1.5.2. Mission

Employee teams will contribute towards making PIA a global airline of choice through:

➢ Offering quality customer services and innovative products

➢ Using state of the art technologies

➢ Ensuring cost-effective measures in procurement and operations

➢ Developing Safety culture

1.6. Context and Problem Statement

Two years ago, the Management of the company (PIA) had admitted before the honorable Supreme Court of Pakistan that the PIA's HR department is overstaffed, lacks quality talent and energetic professionals. The (AGP, 2019-20) report for the period 2019-2020 stated declining trend of sales YoY on the back of irregularities in financial, supply chain and human resource management areas. With regards to HR related issues, AGP reported issues of corporate governance, overstaffing, irregular appointments, and weak internal controls. The report concluded the reason mentioned above for the loss of business to competitors both local and foreign carriers.

There are no empirical studies carried out to understand reasons behind loss of business and reputation of PIA over the years. However, news and general public opinion suggest PIA have suffered severe dent on its reputation primarily due to declining standard of services, political appointment, incompetence and negligence of the Governments and plane crashes incidents within the last 10 years that have deteriorated the reputation to the extent that it would take strong and consistent efforts and time to restore.

PIA is rated as a 2-Star Airline according to Skytrax (Global rating system for airlines). A 2-star airline certification is based on quality of airport and onboard product and staff service. Product rating amenities inside the airline, whereas service rating cover both cabin and ground staff (**Error! Reference source not found.**).

There is a considerable demand for the national flag carrier but translating that demand into profitability and brand equity for the organization has been a real challenge for the organization. Like other government organizations, PIA has a tall hierarchy

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which is far from modern HRM practices. HR planning lacks in the organization and organizational strategies are not in line with HR functions which is why productivity and services are declining (Butt, Hemani, & Rashid, 2009). There have been several empirical studies suggest strong relationship between a firm's Human resource management and firm's performance. However, (Gerhart, 2005) in his research emphasize that there is no standard approach to HR practices rather each organization can have HR strategy relevant to its business to boost its performance. To explore suitable approach to improve HR practices, we learned that Strategic HRM effectiveness carries a positive influence on firm's productivity and profitability supported by capital intensity (Richard & Johnson, 2001). Strategic HRM has strong impact on employee morale, motivation and sense of responsibility. In the past ten years PIA have experienced two air crashes, Strategic HRM has also positive influence on front line staff from pilots to cabin crew (Patton, 2015).

We examined HR practices of Singapore Airlines (Wirtz, Heracleous, & Pangarkar, 2008), which has achieved epitome of success through cost efficiency and superior services. SIA's human resource management and service excellence was built on the following foundations:

1) Stringent Recruitment & Selection

2) Extensive Training and Retraining

3) Successful Service Delivery Teams

4) Empowerment of front life staff

5) Motivation of employees

Although these are simple 5 points, but these are hard to implement as SIA's strategy is what researchers call it "Dual Strategy" i.e., differentiation and low costs. We will base our project by benchmarking Singapore Airlines as studied by (Wirtz, Heracleous, & Pangarkar, 2008) (Wirtz & Heracleous, 2009) (Wirtz & Heracleous, 2010) and (Wirtz & Heracleous, 2014). We will compare and evaluate foundation of HRM practices mentioned above at PIA in comparison to SIA and will analyze where PIA is lacking and where do they require further improvement.

Academic and investigative journalism articles suggest that the crux of the issues faced by public sector organization can be examined and assessed from Government's willingness to handle the problem, existing policies and regulations, then the availability of funds to be able to solve problems, and economic policies and third

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is the attitude of citizens towards the organization (Diaz, 2017), (Lau, 2019), (Vinck, Scheelen, & Du Bois, 2019) & (Dao , 2020).

Chapter 2

Literature Review
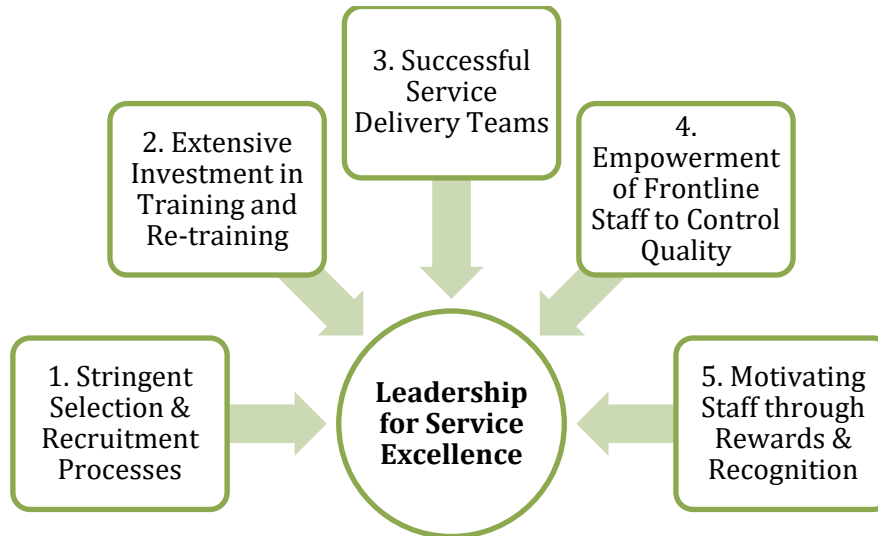
Figure 1. 1 – Singapore Airlines HRM Strategy Model

2.1 Stringent Selection and Recruitment Process

Recruitment and selection process are the essential to an organization's strategic human resource management, as it is the people in the organization who can assure achievement of organizational objective. The vision and mission of the organization is the basis for building a productive team across various functions. Strategic recruitment and selection begin at the vision and works with management to build a progressive, innovative, well-structured business by employing the right people. HR practices must be aligned with an organizations business strategy in order to achieve objectives (Richardson & Thompson, 1999). The recruitment process involves the planning, promoting, finding, and meeting with potential employees, whereas the selection process involves on boarding and training of the employees in their new job role (Sangeetha, 2010). It is critical for the organizations to have competitive advantage in the knowledge-based market in the age of technology with the non-productive human resources. It is important that the new applicants are better and more productive than their predecessors (Broc & Buckley, 2013). (Krishnaveni & Sripirabaa, 2008) emphasized the importance of Capacity assessment and planning. This is undertaken by companies for determining the required number of workers across different divisions. The development of company's business will require availability of

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manpower in improving productivity and scale of organization's long-term business. (Kumari, Bamel, & Kumar, 2011) stated that organizations whose human resource management strategy is aligned with the business strategy will succeed in the long term (Kumari, Bamel, & Kumar, 2011). The effective HRM strategy necessitates the recruitment of right number of people with the right knowledge, skills and abilities, in the right job role at the right time in a timely and costly effective manner (Landry & Mclarney, 2019). One of the examples that needs to be highlighted here is regarding the recruitment and hiring policies for Southwest Airlines. Importance on attitude must be given more than the skill as it's essential for organization to have people with the right attitude, and behavioral characteristics to fit into the overall culture, otherwise the people will start to change that culture and hence the output will also change. The recruiter's main role is to make sure the people getting hired a culture fit (Fewste, 2002).

2.2 Successful Service Delivery Teams

High performance service delivery is one of the core foundations based on which SIA achieved great success and growth. (Cappelli & Neumark, 1999) studies that high-performance system may have positive consequences such as morale, adaptability, efficiency but it's effect on organizational performance remains speculative. (James Combs, Hall, & Ketchen, 2006) inferred that organizations can enhance performance of each unit by 20% with a unit increase in use of successful work system approach. The successful service delivery teams are self-driven, and their source of leadership is internal (Hays , 2010). (Pickering & Brokaw, 2012) observed that sustained high performance is often part of organization's goals but the real challenge is the capacity and tools of the managers to achieve it. The high-performance organization model comprises two constructs for managers – Conceptual and Applied. Conceptual framework covers leadership, vision and values whereas Applied framework covers strategy, structure and systems. However, the HRM varies from industry to industry such as that economics of the business play a key role in developing high performance service delivery systems (Boxall, 2012). (Makerere, 2013) recommended that airline management should develop strategies based on their target market such as demographic characteristics of customers in order to improve service quality.

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2.3 Empowerment of Frontline Staff

To drive change management and performance, corporations implement a transformation model that focus on engagement, empowerment and professional development of all the workforce as key change agents (Yin, Wang, & Lu, 2019). The approach to empower frontline leaders would enable them to work collaboratively and drive change across the organization. Empowering frontline resulted in an organization-wide culture change demonstrated by remarkable improvements in quality, customer experience, professionalism and engagement. (Scanlon & Woolforde, 2016).

In today's changing dynamics, organizations feel immense challenge in improving their productivity and performance in this competitive environment. It has proven that empowering employees has been an effective tool that drives not only performance of organization but employee satisfaction as well as service quality delivered (Metcalf, Habermann, Fry, & Stoll, 2018). Organizations benefit from investing in frontline employees' cultural intelligence to optimize their work engagement and service delivery performance (Costers, Vaerenbergh, & Anja, 2019).

With a greater level of uncertainty due to external factors, competition and continuously evolving technology, customer expectations are also growing. Service organizations need to empower their employees to go extra miles to meet customer expectations (Mohapatra & Mishra, 2018). Using the data from an opinion survey at a renowned organization, the study results proved that employee empowerment has positive impact on service quality and job satisfaction. (Ping He & Perdue, 2010).

2.4 Motivation of Employees

It is always practically impossible for organizations to ensure job satisfaction and performance. However, to achieve better performance, continuous efforts to motivate employees carries utmost importance. These factors include adequate compensation, training, promotion, free flow of communication, conducive and health workplace environment (Anyim & Chidi, 2012). (Mahadeo & Chintalloo, 2013) suggested that organizations must carry out study on its workforce instead of imposing decisions. Salaries, incentives and bonuses, culture, involvement in decision making, employee-management relationship, flexible hours, stock ownership, profit related pay, employee need analysis, Internal service quality seemed to be the key factors motivating employees in a large organization. In comparison to monetary and non-monetary motivation of employee, non-cash incentives are major driver in motivating the

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employees to perform highly at work. These non-cash incentives are growth opportunities, challenging jobs and recognition that are quiet effective motivators than money (Uzonna, 2013). (Fiaz, Su, Ikram, & Saqib, 2017) emphasize importance of combination of three leadership styles: autocratic, democratic and laissez faire style in organization without discounting any leadership style. However, they proposed the democratic and laissez faire style have a much more positive impact on motivation of employees as undue meddling of management reduces productivity and morale of the employees.

2.5 Training and Retraining

An organization operates through people, policies, and systems. According to (Guest, 1997) training and development programs are essential HRM practice that positively affects the knowledge, skills and capability of the staff, and hence results in better job performance from the staff. The key to survival is the ability of the people is to learn, adapt and be responsive as the people are the ones running the systems and developing policies. Public administration education is highly important for staffs operating in public sector organizations (Rusaw & Fisher, 2017). (Subban & Vyas-Doorgapersad, 2014) suggested three type of learning for public sector organizations: problem-based learning, performance and situation-based learning, project-based learning to develop knowledge-based perspective amongst the employees. Training has successfully been used to establish error free work environment specially in such high-risk settings such as emergency rooms and aviation. The organizations now consider training as an essential investment in their employees to remain competitive and ultimately results in greater yield. (Salas, Tannenbaum, Kraiger, & Jentsch, 2012). The most conventional problems are lack of interest in one's job, low productivity, tardiness, excessive complaints, excessive absenteeism rate, high rejects or low-quality output, high incident of accidents. In this case organizations need to assess what skill is needed, and what attitudes need to be changed toward better work performance. The training plan should be linked with the organization's strategic plan (Ndulue, 2012). Employee training and development program must be continuous and should have the mixture of knowledge, career development and goal setting (Jehanzeb & Bashir, 2013).

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Chapter 3

Methodology & Limitations

3.1 Methodology

Based on our literature review, we have identified five cornerstone of HR strategy behind the service excellence of Singapore Airlines, which are our dependent variables. Second step was to study PIA's HR structure, policies in the past ten years in the light of its environment (external and internal). This step covered in depth interviews of the Senior and Mid-senior managers at HR (Sample size: Minimum 10 from HR) however due to limitations and challenges on the back of availability of HR officials we managed to get 5 interviews. A pulse survey to gather opinion of staff about HR practices and policies at PIA (Minimum 20 Employees from HR or any other department). Problems and challenges were identified, and data was analyzed which covers following analysis:

- Financial Performance Analysis
- External Environment Analysis, Porter's 5 forces, External Factor evaluation
- Internal Environment and Internal Factor evaluation
- Competitor analysis
- Corporate Strategy level SWOT
- Minor Problems identification
- Major Problem identification

On the basis of findings were presented to the HR Department of PIA and strategic alternative, recommendation and conclusions were suggested to address HR issues to improve service delivery.

Table 5. 1 - Mapping of Research Questions (RQ)

RQ and/or Objectives	Research Method	Sample Size
RQ1	Interview	5 Interviews
RQ2	Questionnaire (Section 1 and 2)	22 Respondents

Figure 3. 1 – Study Flow

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┌─────────────────────┐      ┌─────────────────────┐      ┌─────────────────────┐
│ Finalize Research   │ ──▶  │ Secondary Research:  │ ──▶  │ Primary Research:   │
│ Questions and/or    │      │ Literature Review    │      │ Focus Groups        │
│ Objectives          │      │                      │      │                     │
└─────────────────────┘      └─────────────────────┘      └─────────────────────┘
          │                                                          │
          ▼                                                          │
┌─────────────────────┐      ┌─────────────────────┐      ┌─────────────────────┐
│ Primary Research:   │ ──▶  │ Primary Research:    │ ──▶  │ Results' Statistical│
│ Interviews          │      │ Questionnaire        │      │ Analysis            │
└─────────────────────┘      └─────────────────────┘      └─────────────────────┘
          │                                                          │
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│ Workable            │◀─────────────────────────────────────────────
│ Recommendations     │
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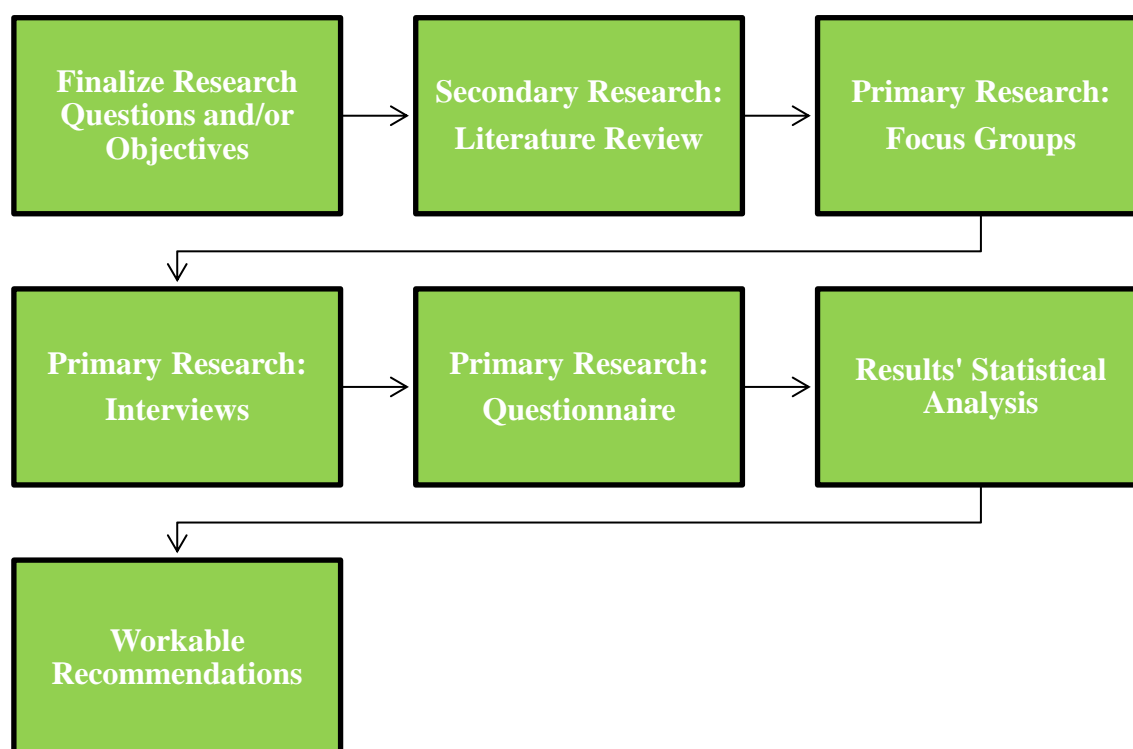
3.2 Limitations

We had planned to conduct interviews from at least 10 officials at PIA, however, due to unavailability of the staffs, we managed to take 5 interviews and the interview of the current CEO was taken from the internet. Pertinent to mention that interview covers responses from senior to junior level HR officer, therefore we have received complete understanding about the HR department, hence number of interviews has not impacted our study.

For questionnaire we had initially planned for sample size of at least 200 (n=200). The PIA circulated our questionnaire on their portal, but we received 22 responses only. The survey was designed specifically for the staff of PIA; therefore, our reliance was on the responses from within the organization only. the results are balanced showing mixed opinions hence, we have accepted the results.

PIA's Head office has been shifted to Islamabad; therefore a handful of staff is operating from Karachi, hence physical visit for getting survey responses from staff who have no time to open the link.

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Chapter 4

Analysis

4.1 Financial Analysis

Financial analysis is performed based on last five years' position and is presented in the Appendix. (Table 2. 2 – PIA's Balance Sheet and Table 2. 4 – PIA's Income Statement)

4.1.1 Profitability

The outbreak of Covid19 pandemic since the beginning of the year 2020 has resulted in challenging operational environment for airlines around the globe. PIA like any other airline has also been adversely affected due to unprecedented travel bans. Despite extremely challenging environment, PIA was able to record sale of PKR 94.9Bn with a gross profit of PKR 2.4Bn with gross profit margin at 3% compared to 5% recorded last year. The company managed to reduce admin and selling cost and recorded operating loss of PKR 16.8Bn which is 15% lesser from last year. The exchange loss was almost 5Bn. Net income of PKR 11Bn offset the negative impact of operating loss and further improved the EBITDA. This was attributed to PKR 8.5Bn grant from the Government of Pakistan for VSS (Voluntary Separation Scheme).

Table 2. 1- Revenue by Region

PKR '000	2020	2019
US & Canada	4,096,588	6,698,555
EU & UK	9,758,366	26,937,436
Middle East & Africa	30,310,964	27,038,314
Asia (excluding Pakistan)	1,195,607	2,194,703
Pakistan	49,627,866	84,631,121

Over the five years, the company witnessed insignificant growth, only in 2019, it was when the company boosted 42% sales growth, which was the highest ever in the last 5 years. GPM and NPM have also remained negative, however, in 2019 the company witnessed positive GPM of 5% the momentum remained during 2020 despite covid19 pandemic. The reason for net losses is attributed to higher cost of services. The major components of the cost of services are Cost of fuel, Salaries & retirement benefits, maintenance, landing & handling, and depreciation.

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4.1.2 Debt Management

The company is characterized by high debt levels on account of aircraft leases and working capital. Total liabilities have increased from PKR 353Bn in 2016 to PKR 589Bn in 2020. Over the period accumulated losses have resulted in negative equity. The negative equity in FY20 stood at PKR 448Bn. The company has been strategizing to reduce their debt levels and other liabilities. The company has a current ratio of 0.13 which is lower than the standards of banking standards of central bank.

4.1.3 PIA/SIA Comparison

We studied the comparison between two SOEs, Pakistan International Airlines (PIA) and Singapore International Airlines (SIA).

Table 6. 1 PIA-SIA Comparison

	SIA	PIA	SIA	PIA
USD '000	**2020**		**2019**	
Traffic				
Revenue Passengers carried	15,719	17	15,592	34
Revenue Passengers Kilometers	78,296,241	43,226	77,121,729	97,413
Passenger Load Factor (%)	82	74	83	81
Revenue freight tonne Kilometers	4,803,910	175	5,268,045	1,249
Overall Load Factor (%)	68	53	70	59
Financials				
Operating Revenue	9,783,985	619,429	9,882,857	961,853
Expenditure	9,562,782	656,137	9,138,120	1,078,084
Operating (Loss)/Profit	221,203	(36,708)	744,737	(116,231)
(Loss)/Profit after Tax	(213,158)	(225,907)	585,789	(329,975)
Total Assets	25,347,970	870,153	22,936,241	993,385
Total Debt	8,860,526	2,288,572	5,003,308	2,228,653
Personnel				
Average no. of Employees	27,619	10,779	26,534	11,740
Revenue per Employee (USD '000)	583,770	57	619,887	8

1 USD = SGD 1.33
1 USD = PKR 153.35

4.1.4 Future Outlook

On the assumption that the year 2021 will be the year of recovery, opening of borders, opening of business and leisure travel on the back of availability of Covid19 vaccine

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and treatment. Passenger numbers are to grow higher than 2020 but conservatively lesser than 2019 levels. Cargo and freight businesses would continue with same momentum. Further, cargo services will have additional responsibilities of distribution of vaccines and supporting medical supplies. Overall, the company's financial performance will be improved by PKR 2-3Bn.

4.2   External Environment Analysis

4.2.1   Political and Government Forces

During our interviews with the management of PIA and from independent sources, we have learned that the organization being state owned entity is highly influenced by the Government and respective ministry. The appointment of the CEO is based on the decision of the cabinet of the Prime Minister, which is mostly a political choice rather than merit. At times the standard of 'right person for the right job' is not the criterion in the organization due to political interference in hiring and selection at any level. A pilot can be placed in HR department, an engineer in marketing department and an unqualified person in procurement department at the pleasure of the government or sometimes the top management. The unions and association through the backing of opposing political parties or sometimes through the support of government creates hindrances in the development and improvement of the national flag carrier. PIA is often criticized for overstaffing which has resulted higher salaries and retirement expense as the employees are entitled to lifetime pensions and retirement benefits. Currently the salaries and retirement benefits amount to PKR ~15-20Bn on yearly basis. The revenue per employee is USD 57,000 compared to USD 583,770 of SIA's. In order to address overstaffing, issue the company had introduced Voluntary Separation Scheme (VSS) which 2000 staff of PIA availed under which severance were given to the employees for voluntarily resigning from their positions.

4.2.2   Economic Forces

The economy of Pakistan comprises three main sectors -agriculture, industry and services. Pakistan's economy's fundamental weaknesses are low tax to GDP ratio, poor savings rate, and minimal export growth with negligible value addition etc. Pakistan's economy has been marred by balance of payments crisis in every 10 years, fiscal and trade imbalances, and PKR/USD parity.

From the beginning of 2020, the Covid19 has pushed the global economies towards a recession. Pakistan has also been affected by the unprecedented health and

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economic shocks due to Covid19 Pandemic. During the 2020, Pakistan's economy contracted to -0.4%. To mitigate the impact, the government announced a stimulus package of PKR 1.24Tn and offered further relief measures through the State Bank. Policy rate was also cut by 7.25 percent to 6.0 percent. The monetary and fiscal policy changes were made to restore the economic activity in the difficult time and to curb unemployment and loss of businesses. Airline and tourism industry have been affected the most. Most of the tourism related businesses are SMEs who have faced reduced liquidity and cash flow issues because of countries economic challenges.

4.2.3 Social, Cultural and Demographic Forces

The population and their characteristics play a significant role in the development of the country. For countries with growing population, it's a challenge to provide social protection, health care, education and other basic services like housing, sanitation, water, food etc. The population of Pakistan comprises 61.4% of working age population from 15 to 64 years. 12% is between the age of 0-4 years and 22.1% is between the age 5 – 14 years. Pakistan has the 9th largest labor force in the world with a population growth of 1.4%. Airline industry is a capital-intensive industry as it requires large amount of funds to operate. However, it employs both technical and non-technical workforce based on the job requirement. As part of social responsibility PIA runs their flagship CSR center, Al-Shifa Trust which is a special school and rehabilitation center that provides special education, therapies and rehabilitation service to children mostly from humble background. Apart from healthcare, PIA also runs Scouts association, Cricket Academy, and Planteria for young population. PIA has been a key sponsor in various Cricket tournaments. PIA strongly believes in connecting with the local population and diaspora and is keen to improve the level of trust among the people.

4.2.4 Technological Forces

Pakistan heavily relies on imports for technological needs be it plant, machinery, aircrafts vehicles, equipment, parts, or software. Airline industry is highly advanced in terms of use of technology. Since airplanes are purchased from the airline manufacturers or other airline companies, therefore, not much value addition is required. Currently PIA is improving its operations via technology by digitizing business processes, reducing cost by introducing cost effecting alternatives, information security of the data, integrating PIA and associate business, eliminating reliance on external/third parties for IT needs by making it in-house. These IT solutions

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are not limited to internal operations but will also improve customer experience for e.g. PIA has introduced online purchase of tickets via their app and website both enabling quicker direct sales. Similarly, for improving safety standards, a real time dashboard is developed giving access to management and other stakeholders real-time visibility of the safety indices. Further the data is recorded and used for corrective action plan. PIA is keen to use technology as this is the only way to reduce its inefficiencies in operations, services and thus improve its business performance.

4.2.5 Environment Forces

Since the Paris agreement on climate change, countries including Pakistan aim to work towards reducing greenhouse gas emissions, increasing green cover, moving towards alternative source of energy and sustainable financing. Pakistan through 10 Billion Tree Tsunami is aiming to revive its Forest and Wildlife resources. Further banks are encouraged to provide financing to clean energy projects. Electrical vehicles are being introduced to reduce reliance on conventional vehicles. Globally the aviation industry is responsible for 2.5% of carbon emissions. The Governments are keen to reduce carbon emissions through the scheme Carbon offsetting and reduction scheme for International Aviation (CORSIA). It was introduced in 2019, as per which all the airlines are required to report their CO_2 emissions on an annual basis and are subject to offsetting obligations. Offsetting can be investment environmentally friendly projects such as wind energy etc.

4.2.6 Legal Forces

PIA like any other airlines in the world faces several litigations in home country as well as in foreign countries due to ticketing, non-payment, breach of agreements etc. PIA has also been facing several lawsuits from staff, travel agents, aircraft lease companies and vendors. The most recent case was when PIA's aircraft was seized in Malaysia by the authorities in Kuala Lumpur Airport over the non-payment of aircraft lease dues to the Dublin based AERCAP. PIA has faced negative media over the period and controversies have always surrounded the company which have tarnished the brand image of the company. The lawsuits are not new in businesses, but these can be avoided due to better controls, governance, and operational efficiencies.

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4.3 External Factor Evaluation Matrix (EFE)

PIA has scored 2.17 on the EFE Matrix, which is below average of 2.5; this means that the company needs to address it threats and strategize to use opportunities at hand to reduce threats. Key opportunities include government support, reduced interest rates and major threats include ongoing Pandemic, low demand, fuel cost and competition. The company needs to invest more in technology to improve service levels, work on strategic human resources management and design marketing strategies to improve brand image. Evaluation is show in appendix (Table 3. 1 – External Factor Evaluation Matrix)

4.4   PIA - Porter's 5 Forces Analysis

4.4.1   Rivalry among competing Firms - High

The intensity of rivalry is quiet high as the competition is not just with local airlines but international airlines as well. Most of the international airlines are influential names and have flights to 100+destinations across all the continents.

In domestic market the competition is moderate as there are currently four players competing in the industry. PIA is the market leader in terms of services, number of passengers, cargo and mail services. Besides this PIA also holds the highest number of fleet in the country making it the only airline in the country having coverage across multiple continents. PIA holds the competitive advantage due to higher number of flights offered in a day. The other airlines are operating at a limited scale but enjoys better reputation when it comes to safety and services. Pricing is competitive and there is no price war among the airlines. Air travel is not the choice of masses due to expensive tickets and in presence of economical options of train and buses, thus airlines struggle in maintaining profitability.

4.4.2   Potential entry of new Competitors - Low

The aviation industry is a highly capital-intensive industry therefore barriers to entry are quiet high. This is because of the large financial investment required to start an airline, build infrastructure and staff. Further the license to operate subject to thorough due diligence which is difficult to obtain in Pakistan. Many airlines entered the industry and later got dissolved due to high cost of running the business. Currently 7 airlines have the license but operational are only 5. Recently Air Sial and North Air have been launched. Both are operating on a selective route, which might give PIA competition.

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4.4.3   Potential development of substitute products - Moderate

There is no alternative to Air travel due to its shorter timings and convenience. However, cars and trains act as a substitute for domestic travel specially after the development of Motorways which has increased interests among people for road trips. Further the development of ML1 Railway line which would be high speed rail service built on advanced technology. For long distance flights, there are no substitutes but the competing airlines. The threat of substitute is offset due to convenience offered by the air travel; therefore, the overall threat of substitute products is moderate.

4.4.4   Bargaining power of Supplier - Moderate

The bargaining power of suppliers is Moderate. This is because the main suppliers are Aircraft manufacturers for aircraft and Oil Marketing Companies for fuel supplies and both suppliers are large companies with both financial and technological clout and are fewer in numbers. Apart from Aircraft and Fuel PIA has plenty of local suppliers ranging from other SOEs to private entities. The overall bargaining power of the suppliers is moderated because PIA is the major buyer in the country Pakistan and have longstanding relationships with these suppliers further it carries strong support from the government.

4.4.5   Bargaining power of Customers - High

The bargaining power of customers has been on the rise due to various factors. Apart from technological and economic factors increased competition and alternative choices have led to increased bargaining power of customers. This is because customers are now well informed which is why airlines keep introducing promo offers. There are four players in the industry for domestic travel, and for international travel there are other options such as Qatar Airways, Emirates Airlines, Etihad Airways, Turkish Airlines, Thai Airways, Sri Lankan Airlines and British Airways. This way the buyer has great deal of power to choose, however, buyers do not have power to negotiate pricing, thus brand image, inflight experience, and overall duration to reach journey including stopovers is the deciding factor for the consumers. PIA is unable to moderate their buyers' power due to competition as the inflight experience is much superior than that of PIA at the same ticket price. Further foreign airlines have a strong brand image compared to PIA, hence based on these factors bargaining power of customers is high.

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Table 4. 1 - Porter's Five Forces Analysis

Bargaining Power of Suppliers Moderate	Bargaining Power of Customers High
Intensity of Competitive Rivalry High	
Potential Entry of New Entrants Low	Potential Development of Substitutes Moderate

4.5   Competitor Analysis

The air transport sector makes a significant contribution to the economy of Pakistan. As per Civil Aviation Authority's Major Traffic flow report[1], the airlines in Pakistan operate in three business areas which are Passenger, Cargo and Mail. PIA is the dominant leader and often enjoys monopolistic powers in the industry. Other local airlines are Air Blue, Serene Air and Air Sial.

	Passenger (Number)		Cargo (M. Tons)		Mail (M. Tons)	
	Domestic	*International*	*Domestic*	*International*	*Domestic*	*International*
PIA	3,606,599	3,320,804	16,995	22,521	133	119
Air Blue	628,970	1,214,373	4,140	2,180	-	-
Serene Air	1,751,072	-	15,992	-	-	-
Shaheen Air*	33,312	43,548	321	137	-	-
Local Airlines	6,019,953	4,578,725	37,448	24,838	133	119
Foreign Airlines	-	9,394,597	-	245,246	-	22,698
Total	6,019,953	13,973,322	37,448	270,084	133	22,817

*Shaheen Air was discontinued in Oct 2018

4.5.1   Fleet size Comparison

The combined fleet size in Pakistan is less than 50, whereas Emirates alone possess a fleet of more than 250 passenger aircraft. PIA[2] holds the highest number of fleet in the country followed by Airblue[3] and SerenAir[4] respectively.

PIA	Air Blue	Serene Air

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[1] https://www.caapakistan.com.pk/AT/AT-EO-Stats.aspx
[2] https://www.piac.com.pk/corporate/business-units/cargo/network-fleet/38-fleet
[3] https://www.planespotters.net/airline/AirBlue
[4] https://www.planespotters.net/airline/Serene-Air

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Aircraft Type	In Service	Parked	Total
ATR 42/72	7	1	8
Airbus A320	10	1	11
Boeing 777	10	2	12
Total	27	4	31

Aircraft Type	In Service	Parked	Total
Airbus A320	4	-	4
Airbus A321	5	-	5
Total	9	0	9

Aircraft Type	In Service	Parked	Total
Airbus A330	2	1	3
Boeing 737	4	-	4
Total	5	0	7

4.6   Internal Environment Analysis

4.6.1   Commercial Operations

Besides commercial flights PIA deals in commercial cargo, ground handling, engineering services, Precision engineering, Training for aviation industry professionals and simulation services.

PIA has been in the news for all the wrong reasons such as plane crash, forged degrees by their pilots, debt issues, emergency landings etc. However, this does not take the credit away from PIA, Pakistan's national carrier which has a history of milestones such as first airline to operate a jet aircraft, Boeing 707 (Mushtaq, 2017) with the largest fleet in Pakistan operating at more than 25 international and 19 domestic routes, by far the most by any in Pakistan. Leader in the Pakistani aviation industry, being the senior most player with its advantage of network and destinations gives PIA an edge over its competitors, on which PIA has been banking the most since its downfall from the 90s. Renowned in the world for its skilled pilots, who land on airports such as Skardu, PIA has had a history of training the top players in aviation across the world such as Emirates in its days of glory. However, it's the patriotism for the nation along with the advantage of direct flights offered from destinations such as UK, China & Canada (when operational) PIA wins over the customers from its competitors.

Having said that, many of PIA's customers are lost due to missing in-flight entertainment opportunities even over long-haul flights such as Karachi to Toronto. One of the biggest reasons of missing on such upgrades are the rigid processes that need to be followed since PIA is a government organization. An example shared in this regard by Mr. Athar Hussain, GM HR & Management PIA, was having to follow PPRA (Public Procurement Regulatory Authority) guidelines, as per which tenders need to be issued and competitive bidding is done, which has its own merits and de-merits, but

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along the lines things state of the art in-house entertainment, supplementary items needed on board such as pillows and blankets get missed, as the process itself is long and cumbersome with huge lead times.

4.6.2 Governance

Being a public sector organization with 91.56% shareholding of the government of Pakistan (PIA, 2020), influence of government in all decision making has impacted PIA performance. With each changing government, policies and outlook of PIA has also changed. Strategies and vision need to be clear so that the entire workforce knows what the end goal is. Strategies are to be made accordingly responding to the dynamic changing environment. However, so has not been the case of PIA. Further, government influence in appointing senior level resources has always been questioned. Furthermore, overstaffing in different government tenures, to settle politically affiliated resources has most of the time had an unwelcoming response, resulting in politically powerful unionized structure. Governments have re-instated couple of thousands of employees whose services had been earlier terminated. (Mushtaq, 2017)

4.6.3 Human Resource

Overstaffing of employees has been a critical weakness, which further adds up to operating costs of PIA, which already is incurring losses and under debt. In the recent pass steps have been taken to address the overstaffing aspect, as a result downsizing took place in PIA where they offered VSS to 25% of their employee base. PIA to this day has highest HR to aircraft ratio with a strong employee base of 14,000. And it doesn't stop there, since it's a state-owned company, the privileges and benefits the employees get are far greater than it is of any private airlines, further adding up to PIA's operational cost.

Another identified weakness which contributes to the overall below average IFE score, making PIA internally weak in comparison to its competitors, both locally and internationally, is the lack of performance monitoring mechanism. Upon interviewing different PIA HR resources, it was noticed that appraisals and incentives are not primarily tied to the performance, rather their base is more focused on the seniority. Promotion criteria has been designed focusing more on the timescale/duration served, rather than the performance of an individual. Timescale has been designed for promotions for fixed categories. Therefore, we feel that employees would not be motivated to go out of the line to perform an extra mile, when they know the appraisal

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criteria is strictly time bound, hence mediocrity in performance at max. Even trainings for staff development and tied to scale change, hence primary motive for attending trainings would not be to enhance skills but scale.

4.6.4 Finance

For more than a decade PIA has been marred with high debt levels, the accumulated losses and debt have led to negative equity in the books. With a negative equity worth PKR 460 billion including bank loans and other payables, PIA again booked a loss of PKR 34.64 billion in CY 2020. However, PIA is hopeful for a recovery in the coming years as they onboard a team of pure professionals including Khalilullah Shaikh and others, seasoned with a similar turnaround success such as of K-Electric, PIA plans a business turnaround, amidst this Co-Vid situation. All in all, there is a lot of room for improvement for PIA, and leveraging their strengths such as government backing, their destination network and asset base along with potential in the market, PIA should capitalize on the opportunities available to attain their lost glory.

4.7 Internal Factor Evaluation Matrix (IFE)

IFE matrix has been used for internal environment analysis. PIA has scored 2.13 on the IFE matrix which is a below average score. This means PIA has room for improvement and is internally not so strong. Although PIA has a strong brand and history, but just relying on the past glory hasn't helped PIA much in the recent past. Deterioration of services offered be it in light of in-flight entertainment offered or discipline in timings of departure and arrivals, PIA has been wayward as compared to the international industry benchmarks set by airlines such as Qatar and Emirates etc. As a matter of fact PIA from amongst the Top 5 airline in the world at time of its inception had declined to the bottom (Ranking, n.d.) 5 by 2018, with its on-time performance score at 6.1 offering only 61% timely services (ProPakistani, n.d.). PIA has been a certified 2-Star airline by (Skytrax, 2021) for the quality of overall services offered. Evaluation is shown in appendix (Table 3. 2 – Internal Factor Evaluation Matrix).

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4.8   SWOT Analysis

Positive	Negative
Strengths	**Weaknesses**
Government Support - PIA is the State owned enterprise and have complete support of the Government in terms of financial support, traffic rights and speedy regulatory approvals.	**Government Influence** – With benefits of being state owned enterprise, there are cons as well which are mainly interference of Government. Myopic strategies and weak planning have brought PIA in to its current state.
Market Leadership in Domestic Market- PIA is the market leader in the domestic travel segment. In 2019-20 it carried 3.6 Million out of total 6 Million passengers in domestic flights	**Operational Inefficiencies** – Overstaffing, fake degrees, hiring based on political interference, anti-influences of unions, manual processes are some examples which is evident in the performance of the organization.
Preferred choice for Hajj & Umrah – PIA is the preferred choice for Hajj & Umrah passengers due to large number of special flights and economical rates.	**Debt Levels –** PIA is a highly leveraged airline, with continuous accumulation debt such that the Liabilities of the company are higher than its assets.
Ground Handling – PIA is the largest ground handling service provider and provides ground handling services to foreign airlines.	**Lack of quality Product (Aircraft)** –PIA's airplanes have basic issues such as torn seat covers, faulty lights, most importantly no modern inflight services due to which people prefer foreign airlines for longer distances due to better services at same ticket price.
Decades of operational experience – PIA has been operating since the independence and creation of Pakistan. It has decades of operational experience and operates as a professional organization. The pilots of PIA are skilled and experienced, this the reason they have high demand in other international airlines.	**Adverse Media –** PIA's name has always been surrounded by some controversy, making its brand image weak and often associated with inefficiency and poor service.
Strong Rules & Standards – PIA has strong rules and standards of operations, which are in line with international standards.	**Weak infrastructure of Airports** – Airports in Pakistan lack advanced facilities which could create Pakistan a regional hub for other airlines. This directly impacts PIA as it unable to achieve natural growth.

Internal (spanning the left margin of the Strengths/Weaknesses rows)

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	Positive	Negative
	Opportunities	**Threats**
External	**Rising domestic tourism** – Domestic tourism is on the rise, PIA has rightly increased its flights to Northern areas. **International Destinations** – to increase the reach, PIA continue seek opportunities to expand its reach through alliances with International airlines without the need to invest on aircrafts **Cargo services for Covid, medical facilities** – Vaccine distribution is on the rise, and PIA can partner with governments to offer cargo services to small countries with weak air transport infrastructure**.** **Invest in Low cost/budget air transport** – Pakistan has more than 80% working population i.e. the age from 19-60. Develop marketing strategy to attract new customers frequent intercity travelers, increase market share by introducing budget travel for shorter distances. **New Technology -** Adopt new technology and attract new customers specially the foreigners whom PIA have totally stopped marketing.	**Covid19** – The outbreak of covid19 has impacted airline business across the globe. Many state owned airlines are seeking bail out packages from their government. PIA's financial position has also deteriorated due to reduction in international flights. **New entrants in domestic market** – new entrants Air Sial and North Air would further reduce the market share of PIA **Volatility in fuel prices** – International fuel prices coupled with PKR/USD parity impacts the fuel cost which puts pressure on company's operating cost. **Lawsuits and appeals against restructuring of organization** – PIA has executed various schemes under restructuring plan, which has threat of getting halted due to lawsuits in courts. **Geopolitical environment** – International politics are complex and may change all of a sudden that could impact air travel. Recent example is the rift between Pakistan and India in LOC, which resulted in restriction of international and domestic flights from and to Lahore and Islamabad.

4.9   Corporate Strategy Level– SWOT Analysis

Based on information generated through primary, secondary data and interviews with the HR officials at PIA SWOT analysis was conducted to understand the strategic choices which PIA can utilize based on its internal strength and weaknesses to address ever-changing opportunities and threats.

4.9.1 Strength – Opportunity Strategy (Maxi –Maxi)

➢   PIA should explore budget/low-cost air travel for both domestic and international travelers

➢   Invest in technology for better customer experience

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➢ Seek government's support to offer PIA's cargo services to smaller and weak countries like Afghanistan, Yemen, etc.

➢ Attract new customers by offering discounts and promo

4.9.2 Weakness – Opportunity Strategy (Mini – Maxi)

➢ Investment in technology not just for airline, but internal operations, would reduce several inefficiencies.

➢ Stringent hiring and selection can increase the possibility of attracting quality talent. Outsource testing services for transparency

➢ Reduce non-productive staff, this would reduce cost and resolve issues of overstaffing

➢ Invest in People by training and retraining for increasing productivity and service level

4.9.3 Strengths – Threats Strategy (Maxi – Mini)

➢ Strategize an organization restructuring with the backing of the government, plan should focus on investment in high growth areas and divestment from low growth areas.

➢ Reduce cost, take austerity measures to cut down expenses in wake of Covid19 pandemic

➢ Hedge risk of oil prices and FX fluctuation

➢ Introduce PIA on Pakistan Citizen portal for complaint, introduce complaint and feedback feature on website, app and other social media platforms to get customer feedback. Act proactively before it becomes talk of the day on media.

4.9.4 Weaknesses – Threats Strategy (Mini – Mini)

➢ Seek support from banks and financial institutions for deferring the debt payments

➢ Use PIA unutilized assets like properties to increase revenue by renting and leasing.

➢ Seek government's support on financial support by injecting equity.

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Chapter 5

Problem Identification

5.1 Minor Problems

5.1.1 Absence of Strategic Human Resource Management

PIA has been in a swamp of problems but the most pressing one of them all is overstaffing. Being a state-owned organization, with major influence of the government, PIA has always been an organization sought out by public to get a job in. PIA was a well sought name in the aviation industry until 90s. It was praised for developing Middle eastern airlines. Unfortunately, the statutory status of the organization led to unchecked and unnecessary hiring on political basis. This resulted in PIA being overstaffed over the years, as a matter of fact, second to Syrian air only, PIA has one of the worst employee/staff to aircraft ratio (Shah, 2016). Having 29 operational aircraft, PIA has a strength of 14,500 (inclusive of outsourced staff) which costs around PKR 2.06 billion per month (Asghar, 2020) which means approximately 500 staff-aircraft ratio. There is lack of connection between business strategy with HR strategy.

5.1.1 Short-term Planning/Myopic Decision Making

Based on the interview of the current CEO, PIA's management had no clear vision. The staffs were complacent about the salaries being received and there was absence of ownership of their tasks. Often decisions were made at ministry and bureaucracy level and PIA's management was not involved in the decision making. Such that for company-to-company level discussion, the CEO of PIA has to seek support of the foreign ministry and government. From business to non-business areas, the decision making is heavily influenced by the unions, cabinet ministers and political parties. More than decades of ongoing practice have led to low morale and demotivation in the organization. The staffs and management fear the organization might get dissolved like Steel mills or might get privatized.

5.1.2 Uncertainty

Unfortunately for PIA, things have been very uncertain. Whilst the company was trying to restructure to gain back its lost glory, Co-Vid struck. Though the situation across the industry had been the same with PIA being no exception, this loss-making entity had different problems. As the company decided to restructure itself and offered VSS to

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1900 employees, the operations were almost brought about to a halt. With no clear picture as to when the operations would resume in full throttle, all the forecasts are uncertain. Their dependency on external factors such as fuel prices, network to operate, issues such as pilots being sacked for their degrees, airplane crash in 2020, their fleet being outdated (ATRs and old Boeing), litigation cases both in Pakistan and outside Pakistan, assets such as Roosevelt hotel and planes being held, for PIA uncertain conditions spring from all corners. More so to say, even the employees face these situations like downsizing which directly impact their motivation level hence the output of service being not up to the mark.

5.1.3 Influence of External bodies

Unionization, though allowed, is another problem for PIA. Here the unions are politicized. Though for workers and employees brought into the organization by virtue of affiliations with some political parties besides merit, it may be beneficial to safeguard their interest, it has proved detrimental mostly for the organization itself. Political parties both in government or opposition influence the organization through their appointees in the organization. It could be as high as appointment of CEO, offering tenders, or reducing PIA's operations to benefit own transport business or it could be as petty as delivering food of choice for the Prime Minister on his foreign or domestic trip.

5.1.4 Lack of Focus – Cost leadership or Differentiation through innovation

In an attempt to have everything in-house PIA over the years have lost focus on their core competencies. PIA owns hotels, lodges and commercial land which has not received its due importance and attention. Despite being separate entities under PIA umbrella, these entities have not contributed to the group revenue for PIA. The strategy over the period has become unclear, once an advanced airline today is neither offering low cost services nor quality modern services. The strategy is clearly missing.

5.1.5 Tall & complex Centralized organizational structure

PIA has a complex organizational structure with multi-disciplinary departments. A very complex structure, thoroughly centralized with all decision making at the top. Multiple chiefs, each of their domain reporting centrally to the president and CEO who further reports to the PIACL board. As per the interview of the CEO, there is lack of coordination amongst the departments, each department/function works in silos, which is due to absence of vision in the organization. Besides the organizational structure, still

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to this day decision making is at the top, whatever little it is besides being dictated. Employee who are in direct contact with the customer, hardly have any channel to be raise positive ideas and concern. This in turn also create a lack of ownership amongst the employee down the line and causes demotivation.

5.2   Major Problem

Lack of autonomy to run PIA as an independent organization commercially.

Chapter 6

Interview & Surveys

6.1 In-depth Interviews

HR department of PIA like any large organization manages end to end Human resource responsibilities from the induction of an employee till his/her retirement and post-retirement benefits management, covering policies and procedures, operations and compliance. Following information was taken from the in-depth interviews conducted with the HR officials at PIA. PIA's HR department is function headed by the Chief Human Resource Officer who directly reports to the CEO. The HR department at PIA comprise seven divisions 1) HRM 2) Organizational Development 3) Policy & Compensation 4) Industrial Relations 5) HR Governance 6) Principal PIA Training Centre and 7) Legal Services. Following is the process through which PIA. Detailed organogram is attached in the appendix (Figure 5. 1 - PIA Corporate Organogram)

6.1.1 HR Planning

The initial stage of overall HR responsibilities is HR planning, which begins with the need analysis. This is the macro level stage, where strategies are develop based on organization's strategy. Requirement of staff, skillsets, and forecasting for need of staff in future is assessed.

6.1.2 Job Analysis

This stage involves process of collecting, analyzing, and setting out information about the various job roles, initially for creating job descriptions, pay and reward structures, training requirement and performance management. In second stage of job analysis job identification is carried out such as job status, duties, and responsibilities, working conditions are set out. In third stage Job descriptions are developed which covers grade/band of the role, location, level of hierarchy, working conditions, apart from professional qualification, physical, mental, and emotional level requirement for the said job.

6.1.3 Job Design

Job design stage covers in depth assessment for developing a role, such as the responsibilities, level of authority, level of coordination required. This involves careful considering about the capacity of the individual to carry out the task such that it's justified in terms of working hours, compensation, and qualification.

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6.1.4   Recruitment & Selection

PIA's recruitment process begins with job posting in English and Urdu daily newspapers, and internal job posting portal. Internal staff and external candidates are both encouraged to apply. Most of the recruitment is done externally due to requirement of certain experience and qualification. Short listed candidates are required to take test, go through selection board interview, medical test. Successful candidates receive offer letter and appointment letter.

6.1.5   Orientation & Placement

Once the offer letters or promotion letters are provided to the candidates, the staffs are given orientation as a welcome. Staffs are guided about their new role and responsibilities, their location, training schedule and department heads and reporting line manager.

6.1.6   Training & Development

PIA has made mandatory training for all the staff at the time of induction including the CEO of the company. Pilots, cabin crew and engineers are provided extensive training due to the complexity of their roles. There is no retraining or annual e-learning in place.

6.1.7   Compensation & Benefits for workers

PIA being government organization pays as per the rule which is quite different from private organization. The increments provided are standard across the organization therefore therefor top performer and non-performer gets the same reward and compensation. Hence, low motivation amongst the employees is evident from the pulse survey and interviews conducted.

6.1.8   Performance Appraisal

Promotions is a lever to motivate employees to strive for better performance. PIA has its own appraisal system, which is capped at number of years' service at a certain role. There is no speedy growth or out of turn promotions involved. The growth is slow and steady, which is why often C-suits positions are mostly filled by external candidates.

6.2   Pulse Survey Results

We conducted Pulse survey of Gallup, also known as Gallup Q12, it's an ongoing employee survey that measures employee engagement that reflects performance outcome of the organization. We thank PIA HR department for sharing the pulse survey with their staff. Findings are shared below (Table 7. 1- Pulse Survey Questionnaire):

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- 86.3% of the staffs believe that they know their job description and what is expected from them.

- 72.8% of the staffs believe that they adequate tools and material to do their job right

- 77.3% of the staff believe that get the opportunity to do their best every day

- 50% of the staff stated that they have not received recognition in the few past 7 days while the rest stated otherwise

- The response on whether supervisor or colleagues care and encourages development about the staff received mixed response and majority remained neutral or slightly skewed towards negative.

- 64% of the staff believe that their feedback and opinions are not heard by the organization

- 77.5% of the organization is aware about the purpose and mission of PIA and believe that their job is important.

- 54.% of the staff feel that their colleagues are committed to do quality work.

- 77.3% of the staff believe that they have good relations with fellow colleague

- 45.5% of the staff believe stated that their supervisor discussed about their progress in the organization.

- 63.7% of the staff stated that they have had opportunities at work to learn and grow.

We also conducted a short survey about HRM practices from the staff. The questionnaire was developed based on 5 cornerstone of Singapore Airlines strategy to achieve performance based on SHRM (Table 7. 2 - Singapore Airlines HRM Strategy Questionnaire).

- 40.9% of the staff believe that they do not receive adequate trainings to perform their job.

- 45.5% of the staff believe that PIA does not have a performance delivery culture and the top performers aren't rewarded as they should be.

- 36.4% of the staff remained neutral about empowerment at workplace, whereas 31.8% feel there is no employee empowerment.

- 50% of the staff do not feel motivated whereas 27.3% are neutral about motivation.

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Chapter 7

Recommendations

7.1   Strategic Alternatives

With Pandemic restricting travel and travel bans, the performance of all aviation related companies in terms of financial turnovers have been questioned. It's not because of the internal issues, but mostly the external factor. However, with PIA the problems as discussed have been of different nature as well. Human resource practice should focus on fully engaging employees and achieve genuine partnerships with their stakeholders to rescue the ailing airline. Amidst this transformational phase PIA has embarked on, failing to allure employee commitment through HR practices could really hamper the restructuring effort resulting in a failure to make this airline profitable entity amidst all this rising competition, in a more competitive market of today in which they operate, with both domestic and international commercial players, which are eating up PIAs market share through customer satisfaction. Following are some of the recommendations and strategic alternatives that we would suggest PIA to implement.

7.1.1   Rightsizing

PIA has been dwindled with problems and amongst them one biggest that even they have realized has been overstaffing. Since 2019 a strategy to downsize has been implemented at PIA as a result Voluntary Separation Scheme (VSS) has been accepted by 1900 employees as per their annual report 2020. (PIA, 2020). Further a downsizing of 25% employees is on the cards as per the news outlets. (Ghumman, 2021). But downsizing right left and center as the history tells has never been the optimum solution. Rightsizing is the strategy that needs to be followed. The difference between the two is that PIA should retain critical staff that is necessary, and she'd rather offer VSS to those who may not be able to add value to the new PIA. The question then arises; how they evaluate who to keep. For this very purpose need assessment needs to be done.

PIA might need professional services of companies like Mercer/Abacus and others of that sort to first evaluate the job roles. Job evaluation would be done of not the person doing the job, but essentially of the role performed by the resource. Once an entire organization wide assessment is done, expected outcome would be role clarification and the position of that role and accordingly resources would be aligned to perform those rules. Human Resource department in itself would be the greatest ally to

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assess this need and upon the exercise completion, it is expected to identify what jobs need to be done at what level to perform a certain task and the department along with HR would decide who fits in that role the best keeping the long-term view in mind.

Keeping PIA into perspective, it is inevitable that many redundant positions would be identified and strategies around this would have to be made as to how to deal with those excess staff. A similar practice is followed in company which had the same problem, i.e., KE. Once the excess staff is identified, and probably positions where new roles would be created, these employees should be offered the first opportunity to apply for the new vacant roles, provided they match the criteria. This is called OJP (on job posting), a practice which is in place at PIA.

Doing this would essentially motivate the employees, as chances are roles would be elevated and adjusted as per their job description and those performing the job as it is expected would be positioned accordingly.

The sole purpose of Right sizing would be to ensure the first leg of Strategic HRM – right person for the right job at the right place in the right time. PIA must implement strategic HRM to ensure that their HR is consistent and coordinated with the overall business objectives.

Also, PIA might would have to take tough decisions when people in the top level of an organization don't fit in, the rule should be to let go of them. PIA has to have a clean house and understand the fact the same team that led PIA into the crisis they are in today, might not be the best team to take them out of it. The tough news about a turnaround is that you are left with little choice of sweeping out the un-required to make space for the new one. In PIA's case, probably not as many inductees would be required, instead identifying the right pool from amongst might do the job.

7.1.2 Close knit culture with empowered front-line staff:

PIA today being a public sector organization has over the years had a bureaucratic culture. Power distance is felt throughout the organization with a prominent "Yes Boss" culture prevailing. Though this has its own advantage, but PIA today would be better off having a close-knit culture. Amidst the transformational phase they are in with downsizing and lay off being popularly discussed, having a close-knit culture is the need of the hour. The employees should feel motivated and empowered and given the comfort of being heard or at least felt that way. For PIA to improve and create Successful service delivery team, the top management must focus on their personnel

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asset by taking care of them so that they are ready to face routine challenges ad respond in a manner that is beneficial for the organization on the whole. For this PIA has to build or start building better relationships at all levels within its tall hierarchal structure. It is known that when an organization nurtures values of friendliness and loyalty amongst their employees, inducing customer centricity get relatively easier which essentially results improved service quality. It is adamant to have a high employee morale since high employee morale and successful service delivery are both interdependent and interrelated variables. As a matter of fact, successful airline such as Emirate and Southwest both base their business models not only on customers but also on their employees resulting in profitability of their company.

PIA's HR has to play a pivotal role to create a strategic partnership amongst and between different levels of management and departments to improve collaboration so that business needs are aligned to the overall objective of regaining its lost glory. As was discussed by GM HR in his interview (Hussain, 2021), "PIA has a complex structure with a dis-aligned pyramid, PIA needs to align its corporate structure to their revenue stream in order to be successful." Policies and procedures need to be defined in order to achieve the cohesiveness that every department works toward the motive of betterment of PIA and have the sense of ownership as to what their work is valued. Further creating cross functional teams would help break the stubborn departmental boundaries set within the organization.

PIA has to ensure that their human resource professional, who work as business partner and are present in each department representing it, have to not only understand details of their org. culture but possess knowledge of global aviation and how the department they represent fits into the puzzle of the organizational structure to promote dignity and respect to prepare PIA for future challenges.

In order to do so, PIA can take lesson from Continental Airlines that used HR as a tool of corporate strategy to amend its process and communication practices throughout the organization to improve its brand value and make the organization sustainable financially. Continental Airlines used the following model to restructure and named it Go Forward Plan (Figure 2. 2 – Goal setting via Go Forward Plan)

Figure 2. 1 – Go Forward Plan

- Financial plan Restructuring of balance sheet and liquidating of non-strategic assets

- Marketing Plan Build new network and expand customer mix

Fund the future

Fly to Win

Working together

Make reliability a reality

- People Plan Change Continent culture to restore employee trust and motivation

Product Plan Transformation of customer experience
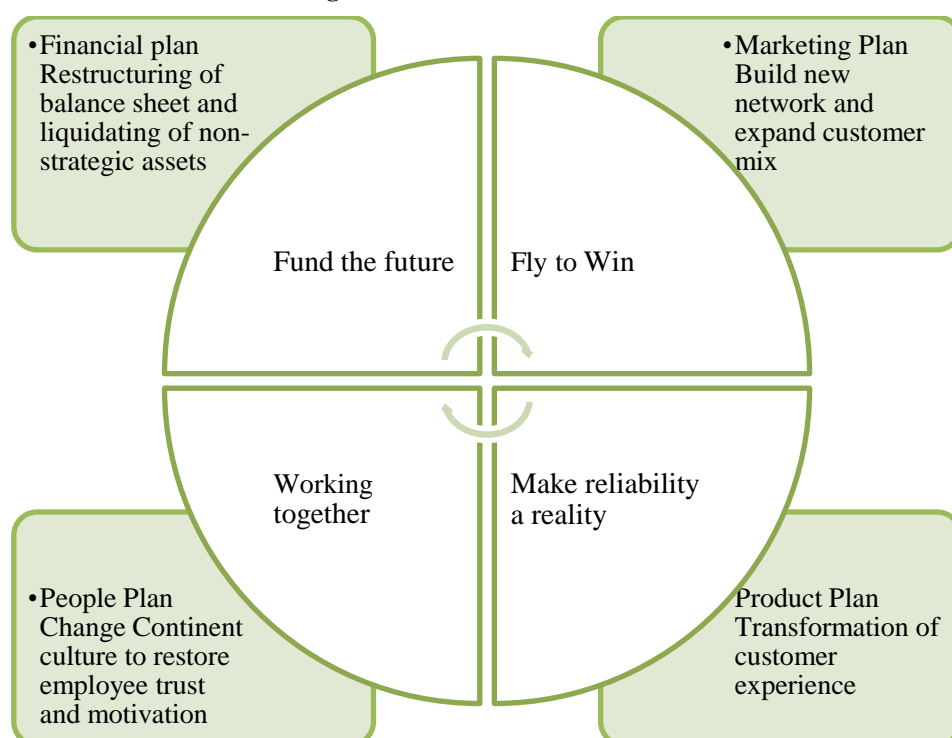
7.1.3 Autonomy

PIA is a commercial organization owned by the state. Having said that, interference by the state in its decision making all the time, with changing government has caused more problem then to benefit for PIA. Like other commercial organization, PIA should be given the autonomy to run as a commercial organization without undue interference. Further political affiliations and governmental pressure on decision making would doom PIA to its failure. Unions need to be cleared off the political affiliations for starters, so that employees on board should know they are there to work and only those who would perform can be entitled a job security. PIA like in the past cannot a place to settle political scores by placing employees who otherwise on merit wouldn't have been able be there.

A strong leadership is required by PIA. A leadership with firm parameters and clean direction are essential in a turnaround situation. Interference in policy matters of this organization when making decisions that are of dire need and can cause a little chaos should be backed by the government, rather than dictated to change decisions.

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7.1.4 Meritocracy, Performance and Reward Management

A company like PIA going through a turnaround can get repressive for its employees, especially when its centralized, with no input of lower grade employees in decision making and job cuts and lay-offs, the remaining lot of employees could really get demotivated, making situation worse and leading further to create a dysfunctional organization. Therefore, it gets more important to keep the morale of the employees high and get them engaged in the process and treat them with respect. Employees are the core asset of this organization which could cause a make or break for PIA right now. However, it is important to ensure that a sense of good competition is created and recognition of top performers is there. Meritocracy not just in hiring but also in performance has to be kept at the forefront.

A balanced scorecard mechanism needs to be introduced at PIA. KPIs need to be set and performance of each individual and team to be measured against those KPIs. Effort also needs to be put in to setting of goals annually and appraisals to be taken seriously by each department. HR needs to play a pivotal role in this paradigm as well. Systems and ERP need to be introduced such as SAP Success factor where each employee profile is made, goals set and the beginning of the year and performance gauged both half yearly and at year end. Appraisals need to be solely linked to performance and the process to be made transparent at the core. For this line manager to do a subordinate's appraisal, to be cross verified and approved by skip and each departments annual appraisal to be matched and justified to HR. Further departmental goals to be set first out of which employee goals should be derived, so that an employee exactly knows what value he/she adds to the department and to the organization on the whole. Each departments goals are to be aligned with the business plan and strategy.

Reward mechanism need to be improved. Good performers need to be identified, appreciated and highlighted to create a sense of respect for performance and motivation and healthy competition. Analysis need to be made for each level as to what kind of rewards (financial or non-financial) can be given to what level to induce motivation. Performance rewards should not be delayed, if any, to let the employee and others know for what it's given and what kind of performance is appreciated.

Scorecard for front line department and employees needs to be made and performance of both department/teams and individual gauged to create healthy competition. Incentives to be linked to performance based on the scores in scorecard.

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Progress of company going through a turnaround needs to be measured with SMART goals set and small wins/achievements appreciated. This culture would in line enhance employee motivation and empower them, further creating successful delivery team which in turn would help PIA become an organization which would value customer satisfaction in all aspects to be in the top row in competition from where they started.

Chapter 8

Conclusion

The study finds that Pakistan International Airlines' HR practices involves low level of implementation of Singapore Airline's practices of Stringent selection and recruitment processes, extensive training and retraining, successful service delivery teams, empowerment of frontline staff and motivating staff through rewards and recognition.

8.1 Stringent Selection and Recruitment Process

For the purpose of attracting potential candidates that well serve the organization, it is essential that PIA formulates a company-wide recruitment Policy & Procedures to: adopt a transparent, open, and merit-based recruitment & selection processes that provides access equal employing opportunities to all regardless of demographics, race, and ethnicity.

➢ Applicants are required to meet a multitude of criteria starting with an initial screening covering age ranges, academic qualifications and physical attributes.

➢ After these basic screening, undertake three rounds of interviews, uniform checks, Group interviews, psychometric test and invited attendees in a formal meeting for orientation or a formal dinner.

➢ Additionally, for frontline staff applicant language competence, in depth personality test, a water confidence test needs to be taken, to ensure right personality for the job.

➢ Performance of frontline staff must be monitored for the first six months through monthly reports from the in-flight supervisor during the probationary period.

8.2 Training, Retraining & Employee Development

Training enables the employees to develop their skills within the organization and mounds their employee's attitude to serve the organization and help it achieve its objective, nonetheless, training and development has a direct positive relationship with the overall performance of the employee. At PIA is it necessary to develop the necessary skills and competencies by creating a learning culture and environment.

➢ After hiring, staffs are initially provided training as per current practice of PIA.

➢ However, the training needs to be extended to 4 months training course.

➢ 29 months' Online course to be subject to promotion for any employee

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➢ Training needs to be divided into two categories 1) Readiness training for new joiners and 2) periodic trainings and refreshers for existing staffs.

➢ The training of frontline staff should ensure friendliness of the staff, while ensuring image of authority and confidence in the passenger's minds.

➢ Training must include conduct, ethics, safety and functional areas.

➢ To ensure that organizational performance remains high in the long term, PIA must adopt practices to develop new capabilities and skillset in employees—specifically in the areas of technology, process optimizations and timely delivery.

➢ The training should not restrict to frontline or new joiners but the training culture must be promoted company-wide. It must be embedded into all management training.

➢ Training plays an important role in establishing relationship with the staff and management.

➢ "Train the trainer" initiative can allow experienced staff to take become trainers within the organization and participate in training programs.

8.3 Building high performance service delivery teams and culture

To improve performance, it is essential that PIA employees have a clarity about the vision of the organization, its current state such as its problems and challenges as well as future goals that reflects the organization's values and vision and should be clearly communicated from the top. For the purpose it is recommended that PIA develops and communicate effective performance metrics and Key performance indicators (KPIs) across functional units.

➢ Crew members to be formed into teams of 13 individuals where team members are will be rostered to fly together as much as possible, this will enable them to build synergy increase bonding amongst the team members. The team leader would understand strengths and weaknesses of the team and will act as a counsellor.

➢ Above each 5-10 teams of crew members there will be a trainer who would oversee teams and often fly with each team to inspect performance.

➢ For high performance delivery culture, sense of belongingness, camaraderie and teamwork is essential.

➢ The goals of each function should be set in harmony with the organizational objectives PIA intends to achieve or overcome the problems in hand. They should

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consider both financial factors, such cost-efficient processes as well as nonfinancial ones, such as measures of quality or customer satisfaction.

➢ In addition, it is important that KPIs should also include cross-organizational projects and considerations so that employees do not work in functional or bureaucratic silos and that it changes the way people work.

➢ Performance metrics should be such that can they be consistently defined and measured in the short term. Moreover, they should be realistic and achievable so employees are motivated and continuously strive to achieve.

8.4 Empowerment of Staff

Empowerment practices are aimed at granting employees the discretion to make decisions on ad hoc basis and provide their feedback in critical decisions or approaches to problem solving, change and challenge work processes and foster innovation. Empowerment has been seen to be positively correlated with employee motivation and performance.

➢ To be effective, employees of PIA must be given all or some of the following where applicable:

➢ Employees must be given the liberty to take the initiative to solve problems on their own. Managers and team leaders must be prepared to allow their teams to make important and responsible decisions. As it's not desirable if the frontline staff must resort to their manager's advice on critical queries of customers.

➢ Employees must be given the means to carry out the job they have been assigned. This includes time, training, money in the budget, equipment, and personnel.

➢ Staff must be clear about the boundaries of their authority under this empowerment. Empowerment does not literally mean zero accountability of no checks and balance. Ethics, code of conduct and compliance cannot be ignored.

8.5   Motivating staff through rewards and recognition

Rewards and recognition are the key lever that organization can use to encourage their staff. These rewards include verbal appreciation, formal awards, monetary compensation, bonuses and allowances, stock option, or fixed assets like cell phone, auto vehicle. Further rewards at organizational level also boost employees' morale as the sense of pride is developed about their employer/organization.

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➢ One way to boost morale, is updating staff about company's small to large scale achievements, for e.g. highest number of passenger carried a month or improvement in financial performance.

➢ Communication plays a key role by motivating employees, these could be through Town hall meetings, offsite meetings, or weekly newsletters.

➢ It's a myth that motivating staff always mean spending dollars. Culture of caring, helping, recognizing commitment of the people reaps great benefit such loyalty and trust of the staff, which resultantly develop sense of ownership.

➢ There needs to job objectives agreed between staff and their manager and at year managers and HR department should consult for rewards according to the performance of staff. Besides actual job role, other KPIs should be assessed such as service orientation, product knowledge in their respective function, job skills, safety and security knowledge, adherence to company's policy, ethics and conduct, work relationship (team working spirit and dealing with other functions), initiatives taken during the year for improvement in their respective department.

8.6   Implications

For more than 4 decades PIA was the envy in the airline industry. PIA used to complete with international airlines and helped developed various international airlines which are huge brands of today. PIA was famous for service excellence and sustained superior performance.

From 90s we've seen PIA declining and today it's on the verge of collapse. There is so much uncertainty that the staff themselves believe that the organization might witness fate like that of Pakistan Steel mills and will eventually be dissolved.

In this chapter we discussed the strategy and capabilities of Singapore Airlines (SIA), the role of SIA's leadership and the five key elements constituting SIA's HR management (stringent selection and hiring of people, extensive training and re-training of employees, formation of successful service delivery teams, empowerment of front-line, and motivating its people), that helped SIA successfully compete with international airlines for more than 3 decades. We recommended SIA's Human resource strategy to be adopted by PIA. Understanding the underpinnings of SIA's competitive success has important implications for PIA more broadly. A first key implication concerns strategic alignment, in particular aligning human resource practices to a company's business strategy.

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The strategic human resource strategy of SIA has enabled them to achieve cost effective service excellence. This is attributed to clear vision, thorough assessment of internal and external environment. An effective strategy is linked with the organization's goals and objectives.

Based on our research despite limitations and challenges due to Covid19, we have reach conclusion that in comparison with SIA, PIA lacks stringent recruitment selection process, there is absence of retraining and refresher of on ethics, conduct, skillsets, and soft skills. Rewards and compensation structure is not in line with the requirement for that of a commercial enterprise. Hence motivation and ownership of responsibility is absent. Due to autocratic structure, there is absence of empowerment amongst the staff, rather influence of external parties is prevalent within the organization.

During these times, there is no organization that can stand still without continuous improvement. The recent socio-economic crises at the macro-level and the emergence of Asian budget carriers at the industry level mean that PIA not only needs to sustain its focus on achieving cost-effective service excellence, but also improve its internal organization issues.

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APPENDIX

Table 1. 1 – Air Traffic Volume Comparison

	Passenger (Number)		Cargo (M. Tons)		Mail (M. Tons)	
	Domestic	*International*	*Domestic*	*International*	*Domestic*	*International*
PIA	3,606,599	3,320,804	16,995	22,521	133	119
Air Blue	628,970	1,214,373	4,140	2,180	-	-
Serene Air	1,751,072	-	15,992	-	-	-
Shaheen Air*	33,312	43,548	321	137	-	-
Local Airlines	6,019,953	4,578,725	37,448	24,838	133	119
Foreign Airlines	-	9,394,597	-	245,246	-	22,698
Total	6,019,953	13,973,322	37,448	270,084	133	22,817

*Shaheen Air was discontinued in Oct 2018
Source: Civil Aviation Authority (Air Traffic Report Airline wise 2019-20)

Table 1. 2 – Fleet Size Comparison

PIA			
Aircraft Type	In Service	Parked	Total
ATR 42/72	7	1	8
Airbus A320	10	1	11
Boeing 777	10	2	12
Total	**27**	**4**	**31**

Air Blue			
Aircraft Type	In Service	Parked	Total
Airbus A320	3	2	5
Airbus A321	5	-	5
Total	**8**	**2**	**10**

Serene Air			
Aircraft Type	In Service	Parked	Total
Airbus A330	1	-	1
Boeing 737	4	-	4
Total	**5**	**0**	**5**

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Figure 1. 2 – PIA Rating Summary

PIA PAKISTAN INTERNATIONAL AIRLINES

PIA Pakistan International Airlines ⬈ is Certified as a **2-Star Airline** for the quality of its airport and onboard product and staff service. Product rating includes seats, amenities, food & beverages, IFE, cleanliness etc, and service rating is for both cabin staff and ground staff.

"PIA suffers from having an outdated product standard across all cabins, and there is no early indication of improvement. Long haul Business Class is called Executive Economy and this is barely Premium Economy standards. Staff service is perfunctory at best, and whilst Pakistani service can be friendly and courteous, this is not so onboard PIA flights. Ground service standards are limited by poor airport infrastructure and facilities.."

PIA PAKISTAN INT'L AIRLINES RATING ANALYSIS

Executive Economy   Economy Class

Airport Services - Karachi	
Premium check-in facilities	★★½☆☆
Check-in staff service	★★½☆☆
Priority boarding service	★★½☆☆
Staff assistance on arrival	★★☆☆☆
Transfer service assistance	★★☆☆☆
Priority baggage service	★★★☆☆

PIA PAKISTAN INT'L AIRLINES RATING SUMMARY

Long haul	
Executive Economy	★★☆☆☆
Economy Class	★★★☆☆

Short haul	
Executive Economy	★★★☆☆
Economy Class	★★½☆☆

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Onboard Product - Long haul

Seat comfort and personal space	★★☆☆☆
Cabin safety information / video	★★★☆☆
Comfort items : duvet, pillows, turndown	★★☆☆☆
Cabin and seat cleanliness	★★☆☆☆
Cabin temperatures	★★½☆☆
Washroom cleanliness	★★☆☆☆
Amenity kit and washroom amenities	★★☆☆☆
Inflight entertainment	★☆☆☆☆
Quality of meals served	★★½☆☆
Flexibility of meal service	★☆☆☆☆
Quality of beverages	★★☆☆☆
Magazines and newspapers	★½☆☆☆

Onboard Product - Short haul

Seat comfort	★★★½☆
Cabin safety information / video	★★★½☆
Comfort items : pillow, blanket	★★½☆☆
Cabin and seat cleanliness	★★½☆☆
Washroom cleanliness	★★☆☆☆
Quality of meals served	★★½☆☆
Selection of beverages	★★½☆☆
Magazines and newspapers	★½☆☆☆

Cabin Staff Service - Long haul

Attention to cabin safety	★★★☆☆
Service skills and proficiency	★★½☆☆
Speed and timing of service	★★½☆☆
Enthusiasm and friendliness	★★☆☆☆
Service hospitality	★★☆☆☆
Personalisation of service	★★☆☆☆
Interaction with customers	★½☆☆☆
Language skills	★★½☆☆
Cabin presence and attention	★★½☆☆
Responding to customer requests	★★½☆☆
Quality consistency among staff	★★½☆☆

Cabin Staff Service - Short haul

Attention to cabin safety	★★★½☆
Service skills and proficiency	★★★☆☆
Speed and timing of services	★★★☆☆
Enthusiasm and friendliness	★★½☆☆
Service hospitality	★★☆☆☆
Interaction with customers	★★☆☆☆
Language skills	★★½☆☆
Responding to customer requests	★★½☆☆
Quality consistency among staff	★★½☆☆

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Table 2. 2 – PIA's Balance Sheet

PAKISTAN INTERNATIONAL AIRLINES CORPORATION LIMITED
Balance Sheet

PKR '000	2016	2017	2018	2019	2020
Assets					
Non-Current Assets					
Property, Plant and Equipment	68,828,761	66,828,518	78,026,605	99,028,223	90,629,224
Intangible Assets	7,884	328,669	275,563	390,359	317,264
Long-term Investments	4,569,247	4,587,663	4,599,767	4,589,394	4,580,748
Long-term deposits and Prepayments	7,020,724	8,011,052	8,562,836	4,632,644	2,974,491
Total Non-current Assets	**80,426,616**	**79,755,902**	**91,464,771**	**108,640,620**	**98,501,727**
Current Assets					
Stores and Spares	2,554,584	3,092,587	3,981,893	3,530,263	2,948,964
Trade Debts	9,294,099	11,147,710	16,377,366	18,607,089	9,976,294
Loans and Advances	2,154,433	2,640,948	2,591,560	3,796,197	3,652,243
Trade Deposits and short term payments	3,891,662	4,109,283	2,170,964	5,286,408	3,300,925
Other Receivables	8,083,390	6,873,787	8,070,202	8,623,137	16,854,091
Short term investments	19,220	19,220	19,220	6,216,620	19,220
Cash and Bank Balances	3,449,152	4,262,457	1,734,448	6,857,322	5,739,761
Total Current Assets	**29,446,540**	**32,145,992**	**34,945,653**	**52,917,036**	**42,491,498**
Total Assets	**109,873,156**	**111,901,894**	**126,410,424**	**161,557,656**	**140,993,225**
Equity and Liabilities					
Share Capital and Reserves					
Issued and Paid-up share capital	52,345,110	52,345,110	52,345,110	52,345,110	52,345,110
Reserves	4,432,287	4,450,703	4,462,806	4,452,432	4,443,786
Surplus on revaluation of Property/Plant & Equipment	18,529,680	22,008,745	24,134,932	9,664,111	11,039,369
Accumulated Loss/Profit	(319,234,231)	(370,274,754)	(437,696,479)	(482,871,287)	(516,595,078)
Total Shareholder's Equity	**(243,927,154)**	**(291,470,196)**	**(356,753,631)**	**(416,409,634)**	**(448,766,813)**
Non-current liabilities					
Long Term Financing	74,829,943	102,242,919	148,742,994	191,517,237	214,644,605
Term Finance & Sukook	25,289,606	17,072,007	2,054,401	-	-
Liabilities against assets subject to lease	5,811,849	1,781,163	172,771	15,533,339	8,316,074
Advance from a subsidiary	4,208,390	4,436,041	5,575,748	6,393,348	6,589,987
Deferred liabilities	29,960,940	33,531,987	38,048,236	39,878,166	37,956,494
Total Non-current Liabilities	**140,100,728**	**159,064,117**	**194,594,150**	**253,322,090**	**267,507,160**
Current Liabilities					
Trade and Other Payables	119,226,391	138,668,164	164,570,556	189,210,795	193,602,208
Unclaimed Dividend	3,297	3,297	3,297	3,297	3,297
Accrued Interest	13,320,144	14,586,792	16,531,580	22,255,402	25,804,384
Taxation - net	561,255	759,008	1,380,723	717,719	655,598
Short Term Borrowing	34,351,311	34,358,474	34,447,358	31,580,219	30,576,613
Current Maturity of non-current liabilities	46,237,184	55,932,237	71,636,391	80,877,768	71,610,778

Total Current Liabilities	213,699,582	244,307,972	288,569,905	324,645,200	322,252,878
Total Liabilities	353,800,310	403,372,089	483,164,055	577,967,290	589,760,038
Total Equity and Liabilities	109,873,156	111,901,893	126,410,424	161,557,656	140,993,225

Table 2. 3 – Balance Sheet Horizontal and Vertical Analysis

PKR '000	Horizontal Analysis				Vertical Analysis				
	2017/2016	2018/2017	2019/2018	2020/2019	2016	2017	2018	2019	2020
Assets									
Non-Current Assets									
Property, Plant and Equipment	-2.9%	16.8%	26.9%	-8.5%	62.6%	59.7%	61.7%	61.3%	64.3%
Intangible Assets	4068.8%	-16.2%	41.7%	-18.7%	0.0%	0.3%	0.2%	0.2%	0.2%
Long-term Investments	0.4%	0.3%	-0.2%	-0.2%	4.2%	4.1%	3.6%	2.8%	3.2%
Long-term deposits and Prepayments	14.1%	6.9%	-45.9%	-35.8%	6.4%	7.2%	6.8%	2.9%	2.1%
Total Non-current Assets	-0.8%	14.7%	18.8%	-9.3%	73.2%	71.3%	72.4%	67.2%	69.9%
Current Assets									
Stores and Spares	21.1%	28.8%	-11.3%	-16.5%	2.3%	2.8%	3.1%	2.2%	2.1%
Trade Debts	19.9%	46.9%	13.6%	-46.4%	8.5%	10.0%	13.0%	11.5%	7.1%
Loans and Advances	22.6%	-1.9%	46.5%	-3.8%	2.0%	2.4%	2.1%	2.3%	2.6%
Trade Deposits and short term payments	5.6%	-47.2%	143.5%	-37.6%	3.5%	3.7%	1.7%	3.3%	2.3%
Other Receivables	-15.0%	17.4%	6.9%	95.5%	7.4%	6.1%	6.4%	5.3%	12.0%
Short term investments	0.0%	0.0%	32244.5%	-99.7%	0.0%	0.0%	0.0%	3.8%	0.0%
Cash and Bank Balances	23.6%	-59.3%	295.4%	-16.3%	3.1%	3.8%	1.4%	4.2%	4.1%
Total Current Assets	9.2%	8.7%	51.4%	-19.7%	26.8%	28.7%	27.6%	32.8%	30.1%
Total Assets	2%	13%	28%	-13%	100%	100%	100%	100%	100%
Equity and Liabilities									
Share Capital and Reserves									
Issued and Paid-up share capital	0.0%	0.0%	0.0%	0.0%	47.6%	46.8%	41.4%	32.4%	37.1%
Reserves	0.4%	0.3%	-0.2%	-0.2%	4.0%	4.0%	3.5%	2.8%	3.2%
Surplus on revaluation of Property/Plant & Equipment	18.8%	9.7%	-60.0%	14.2%	16.9%	19.7%	19.1%	6.0%	7.8%
Accumulated Loss/Profit	16.0%	18.2%	10.3%	7.0%	-290.5%	-330.9%	-346.3%	-298.9%	-366.4%
Total Shareholder's Equity	19.5%	22.4%	16.7%	7.8%	-222.0%	-260.5%	-282.2%	-257.7%	-318.3%
Non-current liabilities									
Long Term Financing	36.6%	45.5%	28.8%	12.1%	68.1%	91.4%	117.7%	118.5%	152.2%
Term Finance & Sukook	-32.5%	-88.0%	-100.0%	0.0%	23.0%	15.3%	1.6%	0.0%	0.0%
Liabilities against assets subject to lease	-69.4%	-90.3%	8890.7%	-46.5%	5.3%	1.6%	0.1%	9.6%	5.9%
Advance from a subsidiary	5.4%	25.7%	14.7%	3.1%	3.8%	4.0%	4.4%	4.0%	4.7%
Deferred liabilities	11.9%	13.5%	4.8%	-4.8%	27.3%	30.0%	30.1%	24.7%	26.9%
Total Non-current Liabilities	13.5%	22.3%	30.2%	5.6%	127.5%	142.1%	153.9%	156.8%	189.7%
Current Liabilities									

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Trade and Other Payables	16.3%	18.7%	15.0%	2.3%	108.5%	123.9%	130.2%	117.1%	137.3%
Unclaimed Dividend	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued Interest	9.5%	13.3%	34.6%	15.9%	12.1%	13.0%	13.1%	13.8%	18.3%
Taxation - net	35.2%	81.9%	-48.0%	-8.7%	0.5%	0.7%	1.1%	0.4%	0.5%
Short Term Borrowing	0.0%	0.3%	-8.3%	-3.2%	31.3%	30.7%	27.3%	19.5%	21.7%
Current Maturity of non-current liabilities	21.0%	28.1%	12.9%	-11.5%	42.1%	50.0%	56.7%	50.1%	50.8%
Total Current Liabilities	14.3%	18.1%	12.5%	-0.7%	194.5%	218.3%	228.3%	200.9%	228.6%
Total Liabilities	14.0%	19.8%	19.6%	2.0%	322.0%	360.5%	382.2%	357.7%	418.3%
Total Equity and Liabilities	2%	13%	28%	-13%	100%	100%	100%	100%	100%

Table 2. 4 – PIA's Income Statement

Income Statement

PKR '000	2016	2017	2018	2019	2020
Sales	88,997,379	90,556,089	103,490,460	147,500,129	94,989,391
Sales - net	88,997,379	90,556,089	103,490,460	147,500,129	94,989,391
Cost of Sales	(103,193,176)	(107,777,374)	(123,222,918)	(139,983,751)	(92,528,351)
Gross (Loss)/Profit	**(14,195,797)**	**(17,221,285)**	**(19,732,458)**	**7,516,378**	**2,461,040**
Selling and Distribution expense	(4,831,766)	(4,760,127)	(5,410,726)	(6,220,924)	(4,740,309)
Administrative expense	(6,318,631)	(6,287,515)	(6,730,797)	(6,945,667)	(5,706,290)
Other provisions and adjustment		(6,189,304)	(1,930,105)	(2,582,578)	(3,929,910)
Exchange loss/gain		(2,188,460)	(14,952,649)	(11,693,549)	(4,948,847)
Loss from Operations	**(25,346,194)**	**(36,646,691)**	**(48,756,735)**	**(19,926,340)**	**(16,864,316)**
Other Income	-	836,202	1,723,487	2,102,303	11,235,155
EBIT	(25,346,194)	(35,810,489)	(47,033,248)	(17,824,037)	(5,629,161)
Finance Cost	-	(15,246,640)	(20,384,567)	(35,537,349)	(29,724,512)
Loss before Taxation	**(25,346,194)**	**(51,057,129)**	**(67,417,815)**	**(53,361,386)**	**(35,353,673)**
Taxation	-	(50,207)	(90,210)	(759,776)	(710,862)
Net Loss for the year	**(25,346,194)**	**(51,006,922)**	**(67,327,605)**	**(52,601,610)**	**(34,642,811)**

Table 2. 5 – Income Statement Horizontal & Vertical Analysis

Income Statement

PKR '000	Horizontal Analysis				Vertical Analysis			
	2017/2016	2018/2017	2019/2018	2020/2019	2017	2018	2019	2020
Sales	1.8%	14.3%	42.5%	-35.6%	100.0%	100.0%	100.0%	100.0%
Sales - net	1.8%	14.3%	42.5%	-35.6%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	4.4%	14.3%	13.6%	-33.9%	-119.0%	-119.1%	-94.9%	-97.4%
Gross (Loss)/Profit	21.3%	14.6%	-138.1%	-67.3%	-19.0%	-19.1%	5.1%	2.6%
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Selling and Distribution expense	-1.5%	13.7%	15.0%	-23.8%	-5.3%	-5.2%	-4.2%	-5.0%
Administrative expense	-0.5%	7.1%	3.2%	-17.8%	-6.9%	-6.5%	-4.7%	-6.0%
Other provisions and adjustment	0.0%	-68.8%	33.8%	52.2%	-6.8%	-1.9%	-1.8%	-4.1%
Exchange loss/gain	0.0%	583.2%	-21.8%	-57.7%	-2.4%	-14.4%	-7.9%	-5.2%
Loss from Operations	44.6%	33.0%	-59.1%	-15.4%	-40.5%	-47.1%	-13.5%	-17.8%
Other Income	0.0%	106.1%	22.0%	434.4%	0.9%	1.7%	1.4%	11.8%
EBIT	41.3%	31.3%	-62.1%	-68.4%	-39.5%	-45.4%	-12.1%	-5.9%
Finance Cost	0.0%	33.7%	74.3%	-16.4%	-16.8%	-19.7%	-24.1%	-31.3%
Loss before Taxation	101.4%	32.0%	-20.8%	-33.7%	-56.4%	-65.1%	-36.2%	-37.2%
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxation	0.0%	79.7%	742.2%	-6.4%	-0.1%	-0.1%	-0.5%	-0.7%
Net Loss for the year	101.2%	32.0%	-21.9%	-34.1%	-56.3%	-65.1%	-35.7%	-36.5%

Table 2. 6 – Cash flow Statement

Consolidated Cash flow Statement

	2016	2017	2018	2019	2020
Cash flow from operating activities	(9,397,365)	(18,053,728)	(24,035,455)	2,560,669	(5,019,234)
Cash flow from Investing activities	(1,494,245)	(3,701,933)	(10,524,858)	(12,802,133)	(1,376,455)
Cash flow from Financing activities	12,835,639	22,876,721	32,284,180	22,761,788	84,334
Net Increase/(decrease)	1,944,029	1,121,060	(2,276,133)	12,520,324	(6,311,355)
Cash and Cash Equivalents at the beginning of the year	(2,043,533)	(99,504)	1,090,312	(1,185,821)	11,334,503
Cash and Cash Equivalents at the end of the year	**(99,504)**	**1,021,556**	**(1,185,821)**	**11,334,503**	**5,023,148**

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Table 2. 7 - Ratios

Ratios

		2016	2017	2018	2019	2020
Profitability Ratios	Average					
Sales Growth	5%	0%	2%	14%	43%	-36%
Gross Profit Margin	-9%	-16%	-19%	-19%	5%	3%
Net Profit Margin	-44%	-28%	-56%	-65%	-36%	-36%
Return on Capital Employed		24%	28%	30%	12%	9%
Liquidity Ratios						
Current Ratio	0.14	0.14	0.13	0.12	0.16	0.13
Acid-test Ratio	0.13	0.13	0.12	0.11	0.15	0.12
Inventory turnover (days)	9	-	10	10	10	13
Debtor turnover (days)	37.59	-	41	49	43	55
Creditor turnover (days)	420.42	-	437	449	461	755
Cash Conversion cycle	-374.31	-	(386)	(390)	(408)	(687)
Gearing Ratio (Debt/Debt+Equity)	3.68	3.22	3.60	3.82	3.58	4.18
Leverage Ratio (Debt/Equity)	-0.05	-0.05	-0.05	-0.05	-0.05	-0.06
Efficiency Ratios						
Return on Equity		0.10	0.17	0.19	0.13	0.08
Return on Assets		-0.23	-0.46	-0.53	-0.33	-0.25
Cash flow ratios						
Operating Cash flow ratio	CFO/Sales	0%	-20%	-23%	2%	-5%
Asset Efficiency Ratio	CFO/Total Assets	-9%	-16%	-19%	2%	-4%

Table 3. 1 – External Factor Evaluation Matrix

External Factor Evaluation Matrix For PIA			
Key External Factors	Weight	Rating	Weighted score
Opportunities			
1. Point to point flight patterns	0.05	1	0.05
2. Guaranteed money after bankruptcy	0.06	3	0.18
3. Partnership	0.07	4	0.28
4. Governmental aid	0.1	4	0.4
5. Increase consumer confidence	0.05	3	0.15
6. Stronger economy	0.06	2	0.12
7. Increase in bond rates	0.03	1	0.03
8. Decrease in interest rates	0.04	1	0.04
9. New technology	0.02	2	0.04
10. Selling assets	0.12	2	0.24
11. New government regulations	0.02	2	0.04
Threats			
1. Economy	0.05	4	0.2
2. Demand for air travel	0.07	1	0.07
3. Web conferencing	0.02	2	0.04
4. International threats	0.02	1	0.02
5. War	0.01	2	0.02
6. Oil/fuel costs	0.06	3	0.18
7. Labor	0.03	2	0.06
8. Union strikes	0.03	2	0.06
9. Pandemic	0.03	3	0.09
10. Government	0.01	2	0.02
11. Competition	0.05	2	0.1
TOTAL	1.00		2.43

Table 3. 2 – Internal Factor Evaluation Matrix

Internal Factor Evaluation Matrix For PIA			
Key External Factors	Weight	Rating	Weighted score
Opportunities			
Strong Brand & History	0.04	3	0.122
Network & Destination	0.08	4	0.325
Leading the Local Market	0.06	3	0.17
Government support	0.08	3	0.244
Patriotism - Preference of National carriage	0.04	4	0.162
Skilled fleet of pilots	0.02	3	0.049
Direct flights to international destinations	0.1	4	0.39
Threats			
Competition	0.1	1	0.097
Absence of Effective Human Resource Management to support Business Strategies	0.08	1	0.081
Operating Losses & High Debt	0.08	1	0.081
Government Influence	0.08	1	0.081
Unions & political interference	0.08	1	0.083
Old aging fleet	0.04	2	0.081
Lack of in-flight entertainment	0.04	2	0.081
Economic Challenges	0.08	1	0.081
TOTAL	1		2.43

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Figure 2. 2 – Goal setting via Go Forward Plan

| Fly to Win	Fund the Future	Make Reliability a Reality	Working Together
Focus on core assets: Stop scheduling flights that lose money. Take out cost as we take out capacity. Eliminate CALite. Build up Houston, Newark, and Cleveland hubs. Expand customer mix from backpacks and flip-flops to suits and briefcases. Revise marketing policies to enhance relationships with travel agents, corporations, and frequent fliers.	Track cash. Restructure the balance sheet. Restructure the fleet: Reduce the number of fleet types from 13 to 4. Match airplane size with market size. Eliminate above-market leases on airplanes. Sell nonstrategic assets. **Goal** *Secure liquidity.*	Perform in the top 50% of the industry on key DOT metrics: On-time performance Baggage mishandles Customer complaints Involuntary denied boardings Improve image of fleet: Paint interiors and exteriors. Add phones. Offer first-class seats. Improve aircraft cleanliness. Improve food service.	Restore employee confidence in management: Offer on-time incentives. Establish a consistent and reliable flight schedule. Improve communication. Deliver a profit and introduce profit sharing. Maintain peace among the work groups. Establish a results-oriented culture: Let people do their jobs without interference. Treat one another with dignity and respect.
Goal *Increase revenues and deliver a profit.*		**Goal** *Improve the product to become an airline of preference.*	**Goal** *Build a new corporate culture.*

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Figure 5. 1 - PIA Corporate Organogram

Interviews

Interview 1 (Initially these were two interviews planned but both the officials sat together during the interview)

Name & Designation of person interviewed (1 hour)

1.   Mr. Aqil Chishti (Sr. HR Officer)

2.   Ms. Sana Aslam (HR Supervisor)

Transcription:

Osama briefed about the project overview to Mr. Chishti and explained that as part of study they have made a comparison of PIA with an international airline and the findings with analysis shall be shared with PIA in the form of recommendation. Osama further highlighted that since publicly available information regarding PIA is not comprehensive and fully reliable, in depth and clear information can be retrieved by meeting in person with PIA officials.

Mr. Chishti stated previously HR and payroll were two separated functions with under separate Chief (lead) unlike other multinational organization where HR and payroll are

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one function, however both functions have now been combined to be a single function and payroll is under HR function.

Fahad inquired about the three verticals in HR function and their leads to which Mr. Chishti responded that other leads beside him are out of town. He continued that of the vertical is Organizational Development (OD) under which are staff development, industrial engineering and retirement cell. Mr. Iqtidar Baloch is the GM of OD. He continued two areas are working under same GM Mr. Athar Hussain i.e. for Policy Compensation and HR Management for which he is acting GM. All HR units are under HR Management vertical. Basit inquired if Mr. Chishti could elaborate on HR units to which Mr. Chishti responded that every department has its own HR e.g. finance has its own HR, engineering, Marketing etc., these are the HR units under GM HR Management. Mr. Chishti further stated with he is looking after 9 departments and he reports to an HR Manager who reports to GM HR.

Fahad inquired about reporting line of HR of each department to which Mr. Chishti responded that HR of each department functionally reports to GM of that particular department as they are responsible for necessary developments or changes in that particular department such as disciplinary actions, hiring, performance review etc. to which HR Management vertical acts accordingly as per a defined policy and procedure. Basit inquired regarding performance appraisals and promotions to which Mr. Chishti responded that performance appraisals are done as and when required basis. Mr. Chishti further clarified that in each department there are defined number of group (levels) and one employee can only be promoted to next grade if there anyone employee from that department gets retired, get deceased or gets promoted on merit to next grade leaving an empty grade behind.

Basit further inquired about structure of each department to which Mr. Chishti responded that every department as its own org chart which is administrated by HR Management Vertical by way of ERP system whereby all data of employees is recorded and managed by HR Management. He continued that HR of each unit directly reports to HR Management whereas functional reporting is to GM of concerned department as they entertain all sorts of requests from concerned department e.g. training or hiring need etc. and forward the same to HR Management for onwards processing.

Basit inquired about recruitment process both internal and external to which Mr. Chishti responded that hiring for GM and Director level or any technical hiring are done externally through external job advertisement, rest all hiring are first broadcasted

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internally. He continued that all external hiring is done on contractual basis for two years after which performance evaluation is done making the employee permanent or continue on contract.

Basit inquired regarding the decision-making authority who decides to hire externally or fill internally to which Mr. Chishti responded that Performance Board decides the same and where applicable for Senior Management position, BoD is involved. When asked about hiring of CEO Mr. Chishti responded that it's a mix both Govt. decision as well as recommendation of the board of directors. Basit further inquired about the composition of BoD to which Mr. Chishti responded that the composition is set by the Govt.

Fahad inquired about training requirements and how it is done at PIA. Mr. Chishti responded that Organization development function takes care of the training requirements. Further trainings are divided into three mandatory levels for promotion, junior management post, middle management and senior management. Fahad inquired about training topics to which Mr. Chishti These training include, leadership, organizational behavior, time management, team management, personal grooming etc. trainings are followed by online assessment which determines the success/failure of the employee. Trainings are conducted by both internal trainers as well as external trainers.

Basit inquired regarding identification of training to which Ms. Sana responded that training is conducted for every employee based on promotion criteria i.e. an employee spends minimum 5 years on one grade before being eligible for promotion to next grade subject to successful completion of all mandatory trainings. He further mentioned that if an employee has spent more than 12 years in the organization, he/she will be eligible for promotion after every 2 years. Basit inquired about motivation of employees if the promotion if done after fixed duration regardless of performance of the employee to which Mr. Chishti responded that previously there was a policy implemented of performance-based appraisals, however the same was discontinued later on due to some misuse and right now there are fixed performance slabs for each grade.

Basit inquired about service criteria of front-line staff like pilots and airhostesses to which Ms. Sana responded that previously pilots and airhostesses used to remain in front line service till the age of retirement but now all front-line staff are evaluated periodically for fit and proper criteria and if some front-line staff does not seem fit for the job, then he/she is moved to ground (office) services.

Osama questioned regarding existence of KPIs of front-end staff for performance monitoring purpose to which Ms. Sana responded that every employee has a defined Job Description (JD) to which an employee follows and monitoring is done based on that JD and if any employee if failing to perform as per his/her JD then disciplinary action are taken against them by HR accordingly. She further continued that there is defined disciplinary policy/guidelines based on different types of conduct/behaviors which are followed for disciplinary cases.

Basit inquired regarding existence of KPI and scorecards of entire functions to gauge the performance of entire department/function to which Ms. Sana responded that there is are no defined KPIs department-wise however if a department overall performance very well, then their performance is recognized through appreciation letters and other means.

Basit inquired regarding feedback form for customers for their experience with PIA and whether performance to front line staff or entire cabin crew member is evaluated on the basis of feedback received from inflight customers to which Ms. Sana responded that performance of cabin crew members is evaluated based on feedback forms received from customers.

Interview 3

Name & Designation of person interviewed (30 Minutes):

1.   Mr. Ather Hussain (GM Policy & Compensation & HR Management)

Transcription:

Mr. Ather introduced himself to the project team. The Project team also introduced themselves and gave brief background of the project regarding Re-structuring of HR Function at PIA in hand and its deliverables.

Mr. Ather expressed his thoughts and gave a background that there are two types of resources in any organization, number 1 which directly contributes in the revenue stream and number 2 which indirectly supports in the revenue which is man-power or human resource. He continued that PIA is semi Govt. organization where HR was previously had an administrative role only and was not involved in people management, moreover there are many rules in the semi Govt. organization which are driven by Govt. policies and intervention and is answerable to them as well. Such organizations have to follow certain set of rules and cannot deviate from them. He further mentioned that evolution or change is 'the challenge' in the organization as far as the HR department

is concerned. He stressed that efforts are being done to introduce a 360-degree performance management system in the organization like other corporate companies and MNCs. For that efforts have been done to decentralize the organization by way of empowerment and team building as well as continues decision making.

Interview 4

Name & Designation of person interviewed (40 minutes):

1. Ms. Najma Gulzar (Manager Organization Development)

Transcription:

Basit introduced the team and Osama gave background and overview of the Project to Ms. Najma.

Ms. Najma gave an overview of aviation industry explained that HR department in any organization functions and operates according to industry dynamics and when it comes to aviation industry, the organization is influenced by external forces such as International Air Transport Association (IATA), Arab Civil Aviation Organization (ACAO) and Aviation Supplies and Academics, Inc. (ASA). Also, the organizational structure is designed in consultation with these bodies due to technicalities of the nature of industry. She continued that in aviation industry, the type of human resources required depends on the nature of fleet/aircraft the organization has.

Fahad inquired about the areas of HR under the study and how PIA works on them i.e., recruitment and selection, training and development, service delivery, empowerment and motivation of employees.

Ms. Najma explained that for recruitment, its starts with the identification of need from the respective area; the respective department identifies the job specifications and requirement and forward the same to higher management for approval. Fahad inquired about the influence of HR in the recruitment process to which Ms. Najma responded that HR is part of the recruitment panel/board which comprises of representative of concerned department who requires the human resource, representative from HR dept. and thirdly and neutral representative. She further highlighted that the entire recruitment process is followed as per the policy procedure manual (ppm) of the HR department. Fahad inquired about some areas in the ppm which according to Ms. Najma can be improved for betterment to which Ms. Najma responded that walk-in interviews can be introduced to identify a pool of candidates for a position who can later be

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utilized, this can save time and efforts for hiring process from scratch as potential pool will be available to shortlist and finalize candidates.

Fahad inquired about the next aspect which is the training and development; what steps are being taken to develop the employees in order to improve their performance and motivation. Ms. Najma responded that efforts are being done to develop a culture of motivation in order to enhance the overall motivation level of employees so they perform well. She continued that programs have been initiated for development and motivation of middle and senior management as change come from the top. Moreover, training session and workshops are being conducted for employee engagement, motivation, job enrichment and leadership skills. The objective is to identify the lacking in the employees and fill the gaps being the skills sets that are required from the employee at those levels.

Fahad inquired about the performance monitoring on the basis on trainings and how the impact of trainings is gauged to which Ms. Najma responded that if an employee is promoted on the basis of successful completion of mandatory trainings, they undergo a probation period of 6 months where their performance is monitored against required job description. Basit inquired asked about other mechanisms to gauge performance of the employees other than annual appraisals to which Ms. Najma responded that there is no scoring mechanism on day-to-day basis however its part of the line manager to gauge the performance of their subordinates on periodic basis.

Basit inquired about motivation of front-line staff crew members as motivation of service staff is a key driver of customer experience which directly affects the perception of the service organization and is very crucial for the success or failure of any aviation organization specially PIA. Ms. Najma responded cabin crew trainings and development comes under the ambit of flight service department. Fahad inquired about any improvement that needs to be done or there is any change that is required in the existing mechanism/structure or there is any lacking which needs to be overcome in this are to which Ms. Najma responded she feels that the policy/procedure and selection and service criteria of front-line staff should be separate from back-office staff and should be short term service plan rather than long term till retirement service plans like departments.

Interview 5

Due to limitation we did not get a chance to meet the CEO of the company, but found a detailed interview publicly available which we used in our research.

https://www.youtube.com/watch?v=IckkEf8891Q

President & CEO PIA, Air Marshal Arshad Malik in talks with Dr. Moeed Pirzada on Hard Talk Pakistan.

93,432 views • Dec 31, 2019   👍 2.7K   👎 52   ➤ SHARE   ☰+ SAVE   ...

Table 7. 1- Pulse Survey Questionnaire

Gallup Q12 Questionnaire	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I know my job description and what is expected of me at work					
I have the materials and equipment I need to do my work right					
At work, I have the opportunity to do what I do best every day					
In the last seven days, I have received recognition or praise for doing good work					
My supervisor, or someone at work, seems to care about me as a person					
My supervisor, or someone at work encourages my development					
At work, my opinions seem to count.					
The mission or purpose of PIA makes me feel my job is important.					
My associates or fellow employees are committed to do quality work.					

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	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I enjoy good relations with my counterparts and stakeholders					
In the last six months, my supervisor, or someone at work has talked to me about my progress					
This last year, I have had opportunities at work to learn and grow					

Table 7. 2 - Singapore Airlines HRM Strategy Questionnaire

Singapore Airlines HRM Strategy Questionnaire	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
There is stringent Recruitment and Selection Process at PIA					
The Trainings that employees receive are adequate to perform their work right					
PIA promotes high performance delivery culture and top performers are rewarded and recognized					
Employees at PIA feel empowered to do their job effectively					
Employees at PIA feel motivated					

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MBA Project Group Members' Introduction

Abdul Basit Sami Sheikh

Basit is an IBA graduate of class of 2013. He is currently Manager Analysis - Key Accounts for K-Electric (KE). He has interest in Strategy and Marketing. He is an analytical, highly adaptable professional with experience in managing complex projects in addition to business process analysis and process re-engineering. Capable in aligning project needs resulting in successful completion and on time delivery, he is an accomplished communicator, skilled in building relationships across functions to drive cohesiveness and strategic thinking. In free time he likes to play cricket. He can be contacted at basit.sami@ymail.com

Fahad Habib

Fahad is an IBA graduate of class of 2012. He is currently the Senior Brand Manager for Bisconni –Ismail Industries Limited. He has interest in Sales and Marketing. In free time he likes to play table tennis and cricket. He can be contacted at fahadhabib23@gmail.com

Osama Ahmed

Osama is an IBA graduate of class of 2012. He is in Corporate Banking at Standard Chartered Bank Pakistan, managing local corporates clients. He has interest in marketing, developing policies and procedures and compliance. In free time he likes to go on road trips. He can be contacted at osama.ahmed@khi.iba.edu.pk

Zulfiqar Hadi

Zulfiqar is an IBA graduate of class of 2012. He is a banking professional and specialized in Product Management of Cards and Personal Loans. He is currently employed at Faysal Bank and working on Islamic credit products. He is married with a kid. He can be contacted at zulfiqar.hadi@yahoo.com

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MBA Project Supervision Log

Project Title: Restructuring of HR at PIA

Group Number: Group Advisor: Dr Shahid Qureshi (Director CED)

S.No	Date	Start Time (Duration)	Discussion/targets	Signature of Advisor
1.	Nov 18th	15 minutes	Structure of Project, deliverables, TOR, Research design	
2.	Dec 21st	10 minutes	TOR Approval	
3.	March 25th	10 minutes	Literature Review	
4.	Jun 8th	30 minutes	Final Presentation & Report Discussion	

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