

Week 5 Group Assignment: Analysis of American Airlines Change Strategy

HR 6350 - Professor DiCroce

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American Airlines Change Strategy Due to Covid-19

The coronavirus pandemic has devastated the global economy, affecting many businesses including the air travel industry. As a result, domestic airlines such as American Airlines have implemented certain change policies and strategies to respond to the needs of its customers in these unprecedented times. Examples of these change strategies include the cancellation and flexible change policies for both new and existing bookings (Kemmis, 2021). Many airlines have taken steps to reduce inconveniences to air travelers by waiving off the change fees and retaining some fares that were normally more flexible. Of all the other major domestic airlines, the change fee policies of American Airlines are the most generous, and have introduced it through to March 2021. This means that all new bookings made through the month of March, the travelers can change them once at no charge, unlike under normal circumstances when one is required to pay a fee for a booking change. Also, all new bookings that have been made after 31st March 2021 can be changed for free, although this only applies to fares within North America, and the non-basic economy ones.

However, change fees for tickets booked to international destinations will not be waived off, and therefore, travelers will still have to pay the required fee should they decide to change. Another policy change made by American Airlines pertaining to the effects of the coronavirus pandemic regards the scheduling of duties for its employees. Fewer people than usual are travelling during this pandemic period, meaning that the schedules of many AA employees have dropped, and so have their incomes (Charles & Erickson, 2020). The organization has therefore taken steps to redeploy some of their employees without work to other retailers looking for seasonal workers.

Kurt Lewin, a German-American social psychologist in the early 20th century, developed a 3 Stage Model of Change known as the Lewin model. The model evaluates the change process in business environments and how the status-quo or general group could be challenged to realize effective change. In the first stage, called unfreeze, the organization will determine what needs to change, obtain support from management, and create the need for change. Change is the second stage where the company communicates the change out, promotes and empowers action, and involves others. The final stage is to refreeze and in this stage the company connects the new changes into its culture, develops and promotes ways to sustain the change long term, offers training, support and communication for short and long term, and celebrates the success of the change (Raza, 2019).

Using the Lewin model to rate the company's readiness for change, it is fair to say that on a scale of 1 (not ready for change) to 5 (ready for change), American Airlines comes in at a 5. The company was greatly impacted by the pandemic due to travel restrictions and the change in passenger travel behavior resulting in a large nationwide drop. It closed out 2020 as its most challenging year in company history with a full-year net loss of \$8.9 billion (AA, 2021). Needless to say, the company was ready for changes to not only motivate but also increase passenger travel. The company has completed the unfreeze stage with identifying the necessary changes and obtaining support for the changes from management. It is currently in the change stage with communicating, promoting, empowering, and involving others in their change. This is present on the company's website in its Newsroom with the coronavirus update and Travel Exception Policy. As coronavirus continues, American Airlines will need to

strategize how to best sustain these changes long-term to see its revenue start to grow again.

Change Management has become increasingly important over the past year and is a direct influence of sustained changes. Many companies, including American Airlines, were unprepared for the impact COVID-19 had over business, employees, and the future. Under Change management, many theories exist to guide an organization through the process of change, including the Lewin Theory. However, use of The Nadler Tushman Congruence model will support American Airlines with the current successes and challenges, as well the recommended changes.

The Nadler Tushman Congruence Model was developed in the early 1980's by theorists David A. Nadler and Michael L. Tushman (MindTools, N.A). The concept of the model was developed to help find a root problem of an organization, followed by identifying the starting point on how to resolve the issues. The model uses four principles that are important aspects of a successful company: work, people, structure, and culture. The formula specifically observes if all four aspects are in harmony, or in other words Congruent.

Use of this model would be beneficial to American Airlines as COVID-19 has directly impacted the four principles that outline the Nadler Tushman Congruent model. By analyzing Pre-COVID attributes each principle had, American Airlines can use creative measures to change their approach, ensuring guidelines are effective while navigating the current pandemic; as well as how they will meet bottom-line results once the pandemic has ceased.

Reviewing the *work* principle, American Airlines must recognize what work is done within the company and how it is currently approached. These attributes include the critical tasks that are being conducted as well as what skills, knowledge or processes are in place (MindTools, N.A). Developing and implementing processes that *rethink* the work, will allow the organization to keep their competitive edge over other airlines.

The *people* of an organization have grown to be a priority for many companies. This principle includes analysis of the people who get this work done, how they are currently compensated, recognized for their work, and how committed they are to the company (MindTools, N.A). Using this data, American Airlines can leverage the information to improve their standings with their employees if necessary. They can also compare how other airlines have managed the pandemic and how their employees have responded.

The *organizational structure* has experienced the most change within organizations. Looking at how work is standardized and identifying if there are bureaucratic concerns, existing policies, procedures, or fee structures that are inflexible, will give the airline an opportunity to shift its current practices that have negatively impacted employees or passengers. American Airlines has already used the principle to create changes, such as with the change policies; however, knowledge of how competitors will approach this topic post-COVID can impact bottom-line results. With organizational structure impacting all stakeholders, proper reflection of this principle is necessary.

Lastly, where most workers are rethinking and now considering an important trait of their chosen employer is *culture*. Culture, although the hardest to analyze, is the most important area of a business (MindTools, N.A). Organizational cultures are the signs and symbols, shared practices and underlying assumptions of an organization (Meyerson and Martin, 1987). With employees furloughed or working from home, American Airlines will need to re-adjust its culture to fit with the new realities of the pandemic (Spicer, 2020). Recognizing how the pandemic has shifted individual identities, priorities, or emotions will allow American Airlines to achieve harmony in the three other principles. This full circle model ensures that the non-stop analysis continues the evolution of business, as well as a continued balance of harmony within each principle within an organization.

American Airlines has dealt with many adverse external and internal changes throughout history, but Covid-19 has presented various different changes that the company has been forced to handle. The coronavirus pandemic has completely changed the dynamic of the company and how they deal with increased health and safety concerns of customers and employees. The company has continuously responded to the consistent changes of the pandemic, but American Airlines can improve their change efforts to strategically better the company. One recommendation to improve the change efforts is based on the corporate culture. A company's culture is crucial to a change management program and American's culture has had to change tremendously due to the pandemic. American has had to focus more on customer and employee health and safety more than ever. In the beginning of Covid, it was extremely hard for the company to make decisions in real time because it seemed that every other

day there were changes by the government and the CDC. For example, during the first outbreak in March 2020, the CDC did not even recommend for people to wear masks. Now in 2021, it is a federal requirement to wear a mask on the airplane. Another example is the extension of the Payroll Support Program that the company tried to get passed through Congress. The company kept giving mixed messages to employees and sometimes gave false hope to workers for keeping them on payroll. Through this process, American Airlines needs to learn how to anticipate all possible outcomes before they happen. There needs to be a change management program team to deal with these specific Covid-19 problems and decision-making. Human resources professionals needs to be at the source of this team as they “play valuable roles in coaching strategy leaders and helping them identify and understand both organizations' talent and culture issues.” These HR leaders need to be involved in this change process every step of the way as early as possible as the Covid-19 changes keep continuing to develop.

Another recommendation to improve change efforts in regards to Covid-19 developments is related to a change routine. It is important for companies to constantly restructure strategies and goals to keep the organization in a more creative state. American Airlines was forced to change their spending habits last year to save money, but most people would wonder why they weren't doing this on a normal basis. The company did this by retiring old planes sooner rather than later because they were too expensive to keep up the maintenance. This decision could have been decided long before the pandemic hit, but the decision was not made to do so. American Airlines needs to continuously evaluate their change strategies to better the company. It is

important not to wait on external changes that force the organization to implement innovation. The company needs to focus on internal changes on a daily, monthly and yearly basis to help prevent a routine. Vermeulen (2010) suggests that “there’s a danger of relying on just one kind of change--which itself can become routine.” American Airlines needs to centralize their improvements of change efforts on these recommendations to better strategically process changes that come in the future.

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