

Strategic Factors For Organizational Performance: A Study Of Aviation Industry

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ABSTRACT: Aviation is a dynamic business and is affected by the number of strategic factors of an organization. Aviation organization is unstable in nature and there is a strong relationship between external environment and organizational performance. There are various strategic factors like environment, culture, technology and structure of an organization which can affect aviation organization. There is a vast difference in general organizational factors and aviation organizational factors. Aviation Organization tends to be more sensitive to all the strategic factors and studies have shown that it should be dealt in a critical way. Imperative analysis about all the strategic factors must be done because they have massive impact which in turn results an abrupt rise and fall in aviation organization. Among all factors which sways aviation organization, leadership, environment, culture, structure and technology are considered to be the most authoritative influences and outweigh the other elements.

KEYWORDS: Aviation Industry, Environment, Organizational Performance, Strategic Factors, Structure of organization,

1. INTRODUCTION

Every organization has its own goal to be achieved. To reach that goal there must be a suitable strategic plan. Strategy should be thoroughly studied as it is one of the outstanding aspects of management. There has been an upsurge in the use of strategic tools mostly within last two decades. Aviation organizations are one of the recent developments to involve strategic analysis while encroaching the organizational goal. Strategies do not have any specific definition. In general strategy can be defined as a plan of action. As per Oxford dictionary strategy can be defined as below:

"1. A plan that is intended to achieve a particular purpose; to develop a strategy for dealing with unemployment. It's all part of an overall strategy to gain promotion. The government's economic strategy"

2. The process of planning or putting a plan into operation in a skillful way: marketing strategy

3. The skill of planning the movements of armies in a battle or war; an example of doing this: military strategy. Defense strategies compare tactic". (Oxford Dictionary)

Working definition for strategy as per Henry Mintzberg is follows:

"The means by which an individual or an organization accomplishes its objectives" [27]

There are mainly 5 factors, known as 5 Ps strategy as stated by Mintzberg and other researchers. They are as follows [27].

- Plans
- Patterns
- Positions
- Perspectives
- Ploys

Plan can be defined as one of the foremost undertakings to achieve organizational goal. The use of this identity has proven to be beneficial and has always increased organizational performance. It can be divided into two groups; one is formal and other informal. Plan is never concrete until and unless it is implemented. To be specific, to establish a formal plan various ideas are turned into script and documented. These are there in the organized pattern. Position of organization also very vital strategy. For instance, location also plays a vital role to achieve the goal of the organization. Locating the organization in correct place has some strategic meaning. Sometime if there is gap in an opportunity, new company or organization can generate new needs of their valuable customers. Vision and perspective are also valuable asset of an organization. Vision can be the permanent guideline which can inspire the management to develop an effective company strategy. For example, the insight of Singapore airlines to operate aircraft less than 5 years old make them one of an outstanding airline in the world. Furthermore, due to its farsightedness Apple.inc stands as world leading company. Their moto stating innovation and elegance in design along with development of quality software and outstanding performance have made them topmost organization around the globe. The ploy or tactic is an intended act to defeat an opponent or competitor. In business management, after positioning, ploys may be one of the commonly used means of strategy. Ploys in business can be divided into: (i) Threat (ii) Discredit (iii) Deception. Threat can be defined as possible danger that can feat the vulnerability of a system of an organization. For instance, the advancement of Airbus industries has now developed a valid threat to their most competitive rivals Boeing. Which in turn can be stated as a threat, since the organizational growth can be in jeopardy within both the sides. However, discredit and deception in simple term means rumors which can hinder an organizational performance. For instance, after the unfortunate crash of the iconic Concorde aircraft there was several rumors by Boeing company stating that they are in the verse of releasing a new supersonic airline. But in contrast they focused their strategy on manufacturing highly efficient aircraft "The Dreamliner". However, due to these

uncertain rumors Airbus was fixated to amend the flaws of Concorde to compete with the Boeing supersonic. Due to these discredit and deception airbus lost 1 vital year of their development and was delayed in manufacturing Airbus 350 (competitor of Boeing 787, Dreamliner). Thus, Airbus had to suffer loss of billions of amount along with a vital year of their organizational development. There are many strategic factors that can affect airline business such as fuel cost, labor price, economic growth and its environment as well. Due to all these uncertain factors the ambition of an organization must be sustainability in such challenging situation. Aviation organization needs to restructure to balance these unpredicted factors. Emerging trend of budget airlines and growing low cost organization are threat for established airlines. Some of the airlines have an exemplary modes of operation which in turn can demoralize the performance of the other airlines. For instance, due to the outstanding operation of Buddha Air in domestic flights it is challenging for other Airlines to attain their level of performance. It can also be due to rational belief of the customers towards the already safe and established airlines rather than being naïve towards the emerging airlines. Therefore, all aviation organization are forced to choose their own strategy in order to sustain in this growing competition. Therefore, to do that they must choose either short term or long term strategy depending upon their own circumstances. Modern technologies, Customer care and comfort are the leading strategy to attract passengers. Airlines with maximum attractive features tend to invite more passengers. Due to which, Air company will have maximum profit thus increasing an organizational performance. Various researchers have carried out research in the field of aviation economy. They have found that there is a strong unpredictable change in supply and demand because of environment instability. Government regulation, type of customer, employee education and competitor strategy seems to have greater effect on aviation industry. With new concept of open sky policy and liberalization, the valued competition between airlines increases tremendously [4]. No organization can survive if they are not handling the change in the external environment [6]. The famous researcher Mr. Child has given emphasis on the balance of organizational internal strength and external threat from their environment for greater performance of the organization. Top management is responsible for such balance of strategy [9]. There are lots of theories regarding strategic factors of an organization. All of them have given emphasis on the strategic factors and effective management of them working for the benefit of organization. This in turn enhances the performance of the organization. Thus in this seminar paper all available literature review and arguments from the author has been reviewed. Therefore, conclusion revealed that no aviation organization can perform without the balance of strategic factors like culture, structure and technology including environmental factor. Leadership role to balance these factors are also responsible for the performance of the aviation organization.

2. LITERATURE REVIEW

There are several reasons which affect the organizational performance. Lots of research has been done regarding this issue which can be determined by its strategic factor.

Organization can be affected by both external as well as internal factor. The researches have shown that external factor has been concluded as an environmental factor [26]. While studying the market structure on the basis of empirical research, it showed that market structure itself affects the organizational performance [8]. By studying the market structure, it showed that the competitive nature of market now a days has affected the sales performance of an organization [33]. Due to all these theories there has been many studies regarding relationship between market structure and organizational performance [32]. Therefore, many researchers have stated that while making public policy it is mandatory that there must be thorough review on market structure as well as performance studies. In contrary, it is also proven that market structure is not the single aspect which affects organizational performance [28]. Even after studying market structure and performance of two separate organizations on same place there was certain difference on its profitability. These mentioned facts showed that there are several other factors which cannot be ignored for effective organizational performance. For instance, a research showed that advertisement has enormous impact in sales ratio of an organization in turn differing the profitability of two separate organizations on a same place [7]. All the above mentioned studies showed that, market structure only is not sufficient for smooth operation of an organization. Thus, there are several other factors which should be looked upon to embrace the performance of an organization. Organization performance studies showed that it is obligatory to evaluate the competitive situation of a particular organization to recognize its progress in every aspect. Every single organization seems to chase their own strategy to improve performance. However, in certain situation it has been found that group strategies are being revealed in order to upsurge each other's organizational performance [22]. Researches have shown that, after introducing the pricing policy as a strategy in commercial bank there was abundant impact in its economic performance [17]. In a published text book Snow stated that surrounding environment of any organization has an effect on its strategy. Therefore, they tend to regulate themselves by changing their organizational structure for their own benefit. He also added up saying that, the internal relationship between units and subunits of an organization and strategic choices are the factors responsible for organizational performance as well as its structure [29]. This shows that strategy set by an organization has countable impact on its structure as well as performance. Although these are important factors for an organizational performance there are several other influences, such as size of an organization which also has abundant impact to maintain upsurge of an organization. Size or dimensions of an organization have been studied by several researchers to review its impact on organizational performance. Hall and Weiss studied more than 300 hundred different industries and concluded that there is indispensable relationship between organizational size and its profitability [20]. But there have been more researches which show that organizational performance and size are affected by several other elements. For instance, as per one of the research technology is considered as one of the factors which can affect the performance of an organization [74]. While studying

literature review till now there is no any definitive relationship between size, structure and performance of an organization. For instance, Stopford and Wells studied that if there is increase in size of an organization there will be increased demand in skilled manpower. This shows that there is particular relationship between job specialization and size of an organization. Thus, it shows that increase in size of an organization upsurges the specialists demand in an organization which in turn effects the organizational structure [30]. Research conducted by Child in aviation organization stated that size and environment has an influence on decision making process in an organization. His research also showed that there is a vast difference in structure of an organization when they attain centralized and decentralized decision making process [11]. In the following subheading I would like to explain more literatures on strategic factors which can affects organizational performance.

2.1 Strategy and organizational Performance

Strategy is the powerful tool for an organization to upgrade their performance. With respect to time it can influence the organizations and its economy [3]. Individual and group can influence the organizational shape for its future and organization is more powerful than individual [19]. Baum and Rowley suggested the framework by Scott (1998) seeing the band of how organizations are looked upon. Organizations are defined as: (i) Rational system (ii) Natural system (iii) Open system [3]. In rational system, organization are more formalized and oriented for specific goals. In natural system, organization uses their common interest for the survival. Lastly, in open system, organizations are more interdependent and try to make coalition, thus they give more priority for partnership which will track them towards higher performance and survival. After 2010, there has been a new trend in management. That is competitive advantage based on crucial resources and their unique capabilities. Grant (2008) suggests that diversification of strategies is mainly determined by these major three goals in the organization: (i) Risk reduction, (ii) Growth and (iii) Profitability. Various strategic approach can be used by different organization however the most acceptable basic aspects of strategy as per Mintzberg (Mintzberg et al., 1998: p.16) [27] is as follows:

".....Strategies not only concern the firm but also its environment. In fact, firms use strategies to cope with the constant changes in the environment. Strategies are not simple since the changes they are coping with are of a complex nature and often, unique events. Strategies affect the overall welfare of the firm since they regard all organizational levels. Strategy involves the content and process of actions in the firm, since they entail the actions we take and the process by which those actions are decided and implemented. Strategies are not entirely premeditated since they also can emerge from past actions or experience. Strategies exist and co-exist at different organizational levels. Strategy implies several thinking processes ranging from conceptual to analytical."

Strategies therefore have strong relationship with organizational growth, risk reduction and its profitability hence its performance. Organization also can adopt natural or rational or open strategic approach. Most successful Nepali airlines Buddha air has its strategy to operate new model aircraft makes it one of the high performance organization in Nepal.

2.2 Environment and Organizational Performance

Baum and Rowley are considered as one of the pioneer researchers who mainly focused on an open system perspectives of the organization. They also studied about conceptualization of organizational environments. As per their views, an organization can function in different environment. After their thorough studies they have defined the following three diverse aspect of organizational environments: (i) Technical environments (ii) Institutional environments (iii) Task environment [3]. The technical environment is defined as the site where the organizations can manufacture their products or give services. These outputs are then sent to the market for their high quality and efficient performance. Technical environment focuses on the system and goal of an organization to progress their performance. Technical and task environment are very imperative because none of the organizations are capable of operating by means of its own resources. Baum and Rowley found that necessity of an information leads to indecision and also deficiency of resources too lead to reliance [3]. Organizational environments are the indicator to appreciate organizational function. Organizations working with rules and regulations can be defined as institutional environment. Task environment includes input, output, government regulators and neighboring competitors. All these environments are affected by many strategic factors. There are some other views regarding organizational environment. According to Grant (2008), there are two environments in an organization: (i) External Environment (ii) Internal Environment. External environment refers to the influences outside the organizations which shakes its ability to function whereas Internal Environment refers to entities and events within an organization including employees, management and trade culture which defines employee performance. The environment of an organization is very dynamic in nature. Thus to sustain this dynamism every factors are responsible in equivocal range. In strategic management trend, both internal and external environments should be balanced and harmonized [27]. The internal environment of an organization is affected by three basic factors: (i) resources and capabilities, (ii) structure and systems (iii) goals and values. Along with that, the external environment is also affected by different factors like politic, economic, social, and legal factors. Most of the research has stated that customers, suppliers and competitors are the main factors which need to be taken care of while making the strategic factors. In the following table external factors are listed and their variables and affects are tabulated for the better understanding.

Table 1: Environmental Variables and their affects to the organization

Serial Number	Environmental variables	Effects of variables	Department Mostly Affected	Strength and Weakness
1	Social Variations	Changes in customer Interest and choice	Marketing	Product quality and Distribution channels
2.	Governmental variations	New legislation	Research and Development (R&D)	Plant capabilities
3	Economic variations	In personal income and interest	Management Information System	Speed & Responsiveness and quality
4	Competitive variations	New technologies and Competitors	Management Team	Skills and team coordination of effort
5	Supplier variations	Changes in input cost and price	Operations	Control of row material, production capacity,
6.	Market variations	New uses of products, new markets and product	Finance and Human Resources	Financial leverage,

From the above table we can clearly see that environmental factors can affect all dimensions of an organization. In this connection, we can't neglect the Porter five forces as stated by Porter. All of these five forces of an external environment of the organization can shake the performance of the organization [28]. These five forces are as following:

“Porter Five Forces

- *Bargaining power of organization 's suppliers*
- *Bargaining power of organization 's customers*
- *Threat of new entrants*
- *Threat of substitute products, and*
- *Intensity of rivalry among competing organization [28].*

The resultant of these forces in the given context to the organization will determine the implementation of suitable strategy. Porter suggested that only a few strategies will help to survive the organization in a long run. If we correlate these five force with the airlines operating in Nepal it illustrates the substandard performance of different aviation company. To add up it also describes the reason behind the collapse of several private airlines in recent years.

2.3 Technology and Organizational Performance

Technology and organizational performance has strong relationship. Researcher Baum and Rowley (2005) found that:

"...the greater the technical complexity, the greater the structural complexity; the greater the technical uncertainty, the greater the decentralization and lower the formalization; the greater the technical interdependence, the greater the need for coordination." [3].

As defined by Daft "..... Innovation is the adoption of an idea of behavior whether pertaining to a device, system, process, policy,

program, product, or service - that is new to the adopting organization" [15].

Administrative and technical innovations can also affect the organization [13]. Most of the airlines are struggling today for their market share and profitability. To reach their level best in the market recent trend shows that airlines are focusing more on advanced technology, customer care and comfort of the passengers. For example, In recent 5 year, Buddha Air along with Yeti airlines are purchasing aircrafts like ATR 72 model which is considered as one of the most efficient, advanced as well as comfortable aircraft manufactured by a company in Europe. This ambition shows that now a day several airlines are trying their limit best to govern market with their own strategy. However, this will not end the competitive recent airline trend in Nepal. Recently, the advanced aircraft brought by emerging airlines like Shree and Saurya has shown evolving competitiveness in growing Nepalese Air Industry.

2.4 Structure / life cycle of Organization and Organizational Performance

For the large sized organization structural design is more important and most of them are using hierarchy to manage complex systems [19]. When an organization expand there will be a need for additional departments. With respect to time, economic, cultural, and political environments surrounding the organization can generate unstable forces. To sustain these uneven forces organizations needs to adopt the suitable structure for their own survival. Bureaucratic organizations are more rigid in terms of reaction to the environment. However, the latest trend of structure in aviation organization is mechanistic structures. The mechanistic structure is considered to be outstanding for reliable coordination; therefore, it is more flexible. The Multidivisional structure can reduce the hitches of decentralized decision made in firms which are operating in different locations. These multidivisional structure are called as Matrix structure. Organizational structure is vital tools in management to operate themselves and structure of the organization can be

affected by technical as well as governmental factors which are considered as an external environment.

Golightly (1967) states,

“.....If recent airline experience has proved anything new about organization, it is that structure is even more important to a service business than it is in a typical make-and-sell enterprise.....” (p. 70)[18].

The best organizational structure is that which can increase the performance and make easy to work within the departments [21].

2.5 Culture and organizational Performance

Culture can affect the organizational performance by influencing employee's art of thinking. Culture can also influence the decision making process. Cultural consideration is important while formulating strategy of the organization. Culture can increase the organizational inertia of change. When we need the rapid change in organization we cannot achieve it without the change in cultural issues [5].

“..... Cultural change occurs in just four phases:

- i. Strategic drift*
- ii. Braking-down of the current culture*
- iii. Trial and re-formulation*
- iv. Stabilization”*

In the first phase, organizational belief and value is compared with external environmental changes. In the second phase, the strategic drift leads to financial decline. In this stage, the dominant beliefs of the organizational culture are interrogated and tested. In the third phase, new strategic visions are more likely to develop. Finally, in the fourth phase, all positive changes take place and organizational culture allows the strategic change of an

organization. Culture can also help to achieve benefit for a company by healthy competition within the organizations. There are cultural difference in Europe and America: Europeans have a long tradition of craftsmanship, while Americans were using a mass production. Later on, the Japanese tried to do the same but it didn't work. American model was not suitable in the context of Japanese culture; therefore, Japanese developed one of their own strategies which encourages their culture as well as improves organizational performance. In 80s, the Japanese due to change in their system became the leading industrial experts. The advancement of their motor vehicle industry has set the best example in every aspect of an industrial development. Various researches has shown that culture has greater significance in the organizational performance [5].

2.6 Leadership and Organizational Performance

There is a significant relationship between leadership and organizational performance [31]. Effective leadership is back bone of an organization. Organizational performance can be dramatically increase or decrease from the pattern of leadership [1]. Scholars [37] Zhu suggested that visionary leadership will result in high levels of cohesion, trust, commitment and motivation; therefore, it increases the performance in the new organizational environments. In Bass's (1985) model of leadership styles, he emphasizes the importance of one or two leadership paradigms (transactional and visionary). Many definitions of leadership are argumentative; Various scholars argue that leadership can create the vital link between organizational effectiveness and people's performance at its own level. [36]. Based on above literature review, conceptual framework and path diagram of strategic factors affecting organizational performance of aviation organization has been designed as below:

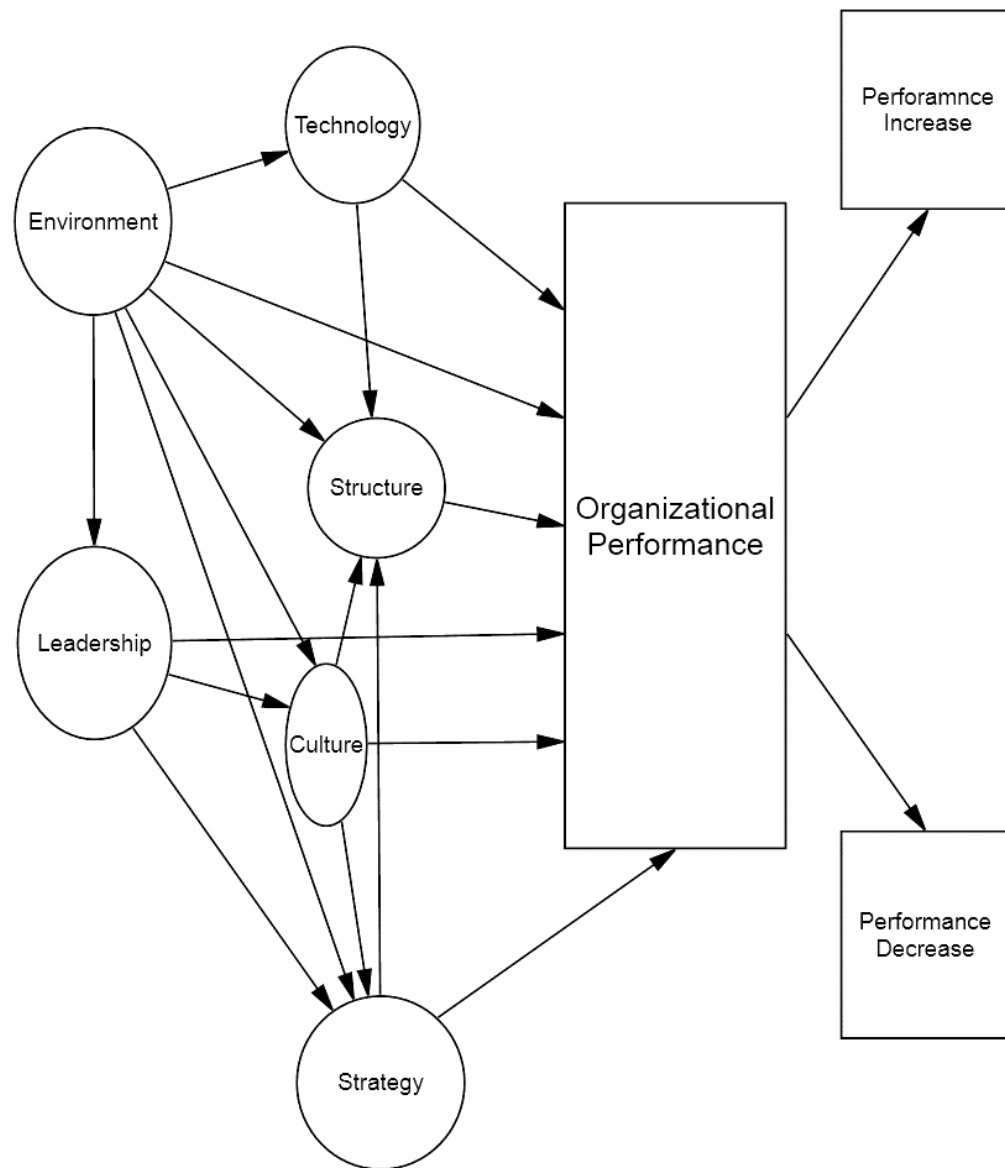


Fig 1: Conceptual Framework of Strategic Factors that Affect Organizational Performance in the Aviation Organization.

From above framework, we can clearly see the interrelationship between various strategic factors that can affect the organizational performance in an aviation organization. These above factors also interrelate; thus, can affect each other as shown in the above frame work. To describe the relationship between above mentioned factors is one of the subjects of interest. Therefore, future research at utmost level can be needed to quantify their interrelation.

3 DISCUSSION

Even though there are many researches while studying literature review, there is no particular study which focuses on strategic factor of an aviation organization. Due to different nature of its trade, I believe that strategic factor of an aviation industries should be studied in a different technique to enhance its organizational performance. For an aviation organization there are several more factors which affects is performance. The above mentioned factors for general organization like strategy, environment, technology, size, lifecycle and culture along with few other factors like strategic alliance,

marketing, branding, outsourcing, planning and forecasting are responsible for aviation organization. Organizational structure in aviation completely differs from general organization and power authority communication system also plays a vital role to maintain it. Golightly has stated that among all strategic factor organizational structure plays a dynamic role in sustaining an aviation organization. From the research he carried out in Continental Organization he found that by keeping focus on finance, marketing and operational department there was competitive advantage in the outcome [18]. Culture has also been an integral part in sustaining the aviation organization. Culture can also be described as fundamental rational and value. The research carried out on Singapore Airlines revealed that the introduction of reward culture in turn motivated the employee's which made them one of the outstanding airlines in the world. This reveals that culture is one of the source of motivation [34]. Likewise, the history of culture intensifies the strategic capability of an organization [23]. The recent trend in Aviation Organization illustrates that many of them have adapted to strategic alliance. Among the

advantage of these alliance hub co-ordination and joint venture remains one of the integral part. The key benefit of these alliances is cost saving resulting in competitive advantage among all the organization [4]. Planning and forecasting is also among one of the fundamental part of Aviation Organization. Since almost all airlines operate in an unstable environment, there must be an alternative planning as a mandatory regulation [18]. The research conducted on south west airlines also showed that its success was absolutely reliant on flawless maintenance and technological advancement [25]. Similarly, the practice of using impeccable information system helps to uplift the performance of an aviation organization and there is always upsurge in their hierarchy [12]. To add up, marketing and branding also has an enormous impact on an aviation organization. Not only the low cost airlines, but also the healthier service providers were also taking profit by principles of marketing and branding [35]. Aviation Organization is considered to be one of the expensive and highly sophisticated. Therefore, there might not be availability of skilled manpower in every different area. So Organizations are compelled to bring manpower through the modes like outsourcing which in turn raises the marketing strategy and responsiveness of an organization [24]. It has always been a debate that at which level the above mentioned strategic factor affects the aviation organization. Since the aviation organization is highly sensitive than general organization, the external environment has greater impact. For instance, global stability, fuel price and GDP of the country can also be considered as important external factors. Therefore, in my view environment is one of the most significant factors which affect the performance of an aviation organization. My interpretation on the above mentioned literature reviews shows that most of these statements do not follow the principle of organizational theories completely. As per Anand Narasimhan, resource dependence, population ecology, collaborative network and institutionalism also has pragmatic role on organizational performance [16]. Hence, there must be studies carried out which includes both organizational theories and strategic factors to clarify the impact on organizational performance. For instance, resource dependence theory states that to be a superior organization there must be diminution of reliance with any other organization as well as organizations must also concentrate on influencing external environmental sources to attract vital resources aiding them to upsurge organizational performance. Most of the superior organization tends to incarcerate minor organization on their control. Collaborative Network theory is also equally important in aviation organization which means even scarce resources can be used by several organizations to improve their performance. Now a day those airlines which run by building alliance among themselves seems to have used this collaborative network theory. Furthermore, population ecology theory states that comparable types of organization are involved in similar activities. However, I rely on the fact that population ecology theory has lesser impact in aviation organization with regards to collaborative network theory and resource dependent theory. Institutionalism theory demonstrates its dominance in two different aspects. One being technical dimension and the other being institutional structure. Among these technical dimension exemplifies day to day

activities whereas institutional structure makes the organizational structure obvious amongst the public. Organization tends to add up environment and culture to create a suitable structure. Formal structure however has a tendency to be different than the technical structure. These above mentioned theories have given importance on environment, technology and culture. Hence, among all ten strategic factors which are demonstrated on Fig. 1, I believe strategic alliance and outsourcing are the key factors which cannot be neglected to improve the organizational performance in aviation organization. There was no available literature regarding the effect of strategic factors in organizational performance in Nepalese airline industry. Thus, this research paper can provide invaluable information for the strategic analysis of organization in Nepalese airline industry.

4 CONCLUSION

From the above literature review and discussion environment, culture, structure, strategic alliance and outsourcing can be considered as most important factors for improved organizational performance in aviation organization. To be particular in an aviation organization, due to its nature of operation environment is considered as the most imperative factor. Since aviation organization is a highly delicate sector the impact of these kind of strategic factor are almost instantaneous. Due to its fragility the outcome every now and then can either be instant progress or complete collapse within a very short period of time. This research paper thus clarifies the impact of all strategic factors in an organizational performance and exposes the need of further studies to elucidate the exact proportion of impact by every single factor in an organizational performance.

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