Delta Airline: Planning, Management and Organizing Functions

Student's Name

Course

Date

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The air transportation industry is competitive, particularly for leading carriers that have to develop and implement new business and operation strategies to maintain their market share. Delta airline is an example of a leading carrier that has had to contend with numerous challenges since the airline's decades of operation. In 2005, Delta airlines filed for bankruptcy despite being a major industry actor. In the air transportation industry, turning a profit can be difficult for several reasons. Evaluating Delta's innovative managerial and operational practices reveals the carriers' revitalization of innovation in the air travel industry.

Planning

Firstly, air transport is a high risk-business, and any accidents, particularly in the passenger service sector, can result in loss of lives with the attendant legal and financial ramifications. Major carriers have also been marred by poor employee relations, a status quo that typically exposes the airlines to costly legal liabilities (Kaufman, 2017).

A reduction in downtimes is crucial in the airline industry as downtimes result in ticket cancellations which in turn erode an airline's revenue. For this reason, Delta airlines had to streamline its core operations to ensure reduced exposure to downtimes. Delta's organizational structure centers on its core operations that include partner networks and market operations. The partner networks include Delta's vendors, businesses the airline holds shares in and employees (Anderson, 2014; Kaufman, 2017). It is through its partner network that Delta manages its day to day operations that can be categorized as activities, resources and support services.

Delta Airline's use of older aircraft has also enabled it to reduce acquisition expenses, a strategy that has enabled the airline to offer lower prices to its customers compared to its competitors. Unlike Delta's competitors that rely on newer aircraft, an approach that compels them to operate with fixed costs to recoup capital acquisitions, the airline's introduction of used aircraft has afforded the airline flexibility (Anderson, 2014). With used aircraft, Delta is in a position to cost-effectively scale its operations in response to market forces without exposing itself to the high fixed costs that are disadvantageous during economic downturns.

Organizational structure

Delta's activities include logistics, developments, operations, marketing and sales, information technologies, brand and services management (Vinod, 2018). The management of the Delta's resources encompasses fuel refinement and distribution, employee welfare, termini management, fleet acquisition, maintenance and overhaul, content development and support services. The aim of Delta's partner networks is the creation of value, an example being its fuel management and aircraft maintenance operations that have increased the airline's revenue streams (Anderson, 2014).

Equally important in Delta's organizational structure is it's market operations. In contrast to its partner networks, Delta's market operations aim at capturing value. The airline's market operations include customer relations and customer liaison channels. Given the traditional rigidity in airline management particularly to emerging market trends, Delta has made considerable organizational investments in how its customers perceive the airline. Delta's customers include travel agents, advertisers, and importantly, passengers. The channels that delta uses to sell and market its products and services include its main website, listed landline and cellular telephone numbers, in-flight offerings, and partner airlines.

Strategic planning

Delta airlines transport both passengers and cargo, a mix of services that enable it to offer even more defined products and services. As a global operator, Delta airlines offers its clientele the option of traveling to hundreds of destinations both domestically and internationally. Delta's services prioritize customers' experience and satisfaction as these are factors that underpin the airline's sales and marketing operations. To attract and maintain customers, Delta airlines competitively price its travel packages, alongside offering incentives that include frequent fliers reward programs and better cabin services.

Instead of rewarding its frequent fliers using miles flown, Delta considers the dollars customers have spent on its services and accords them reward point using expenditures, a departure from similar programs of its competitors. Delta has been able to offer lower prices through other acquisitions. To illustrate, for the airline to minimize its exposure to fluctuations in fuel prices, Delta airlines acquired its refinery and fuel transportation and storage infrastructure (Manuela et al., 2016). The operation of a refinery has enabled stabilize Delta to stabilize its fuel supplies, in addition to improving fuel hedging (Anderson, 2014).

Major carriers such as Delta and United Airlines have come under significant pressure from the proliferation of smaller carriers that serve specific routes in recent decades. Consequently, Delta effected a merger with Northwest Airlines was one of the strategic alliance Delta airlines effected, a move that expanded the latter's revenue through the addition of new routes and passenger and cargo traffic. Additionally, Delta bought minority shares in overseas carriers that include the United Kingdom's Virgin Atlantic, GOL provider in Brazil and Aeroméxico (Anderson, 2014).

Managerial Capabilities

Delta's management structure is informed by the variability of its core operations. To remain competitive post-recession and bankruptcy, Delta recruited managers that were capable of adapting administrative paradigms to emerging market conditions. Delta's senior executives and managers had to depart from the airline's origins as a legacy carrier. An example is in the merchandising of its domestic flights, a move that improved the experiences it offers its North American customers.

To improve its overall operational and strategic innovations, Delta airlines recruited managers with diverse competencies to major positions. A major task for its top management during the 2008 global recession was to mitigate the erosion of revenue from the depression and the airline's subsequent bankruptcy declaration (Anderson, 2014). In this respect, Delta's managerial ranks had to adopt new ways to ensure the success of the airline's short and long-term operational objectives (Kaufman, 2017). By acknowledging extant market trends, Delta airlines were able to determine the kind of management is required to introduce practicable operational and strategic innovations (Antón et al, 2018).

An example of Delta's novel approach to management is its acquisition of an oil refinery. By diversifying into not only the supply but also the processing and transportation of fuel, Delta airlines had to source for new skills to successfully integrate their fuel segment with the airline's exiting core operations (Manuela et al, 2016). As a result, Delta's management now boasts insights in the management of fuel, from purchases to hedging, transportation, storage and retailing. By handling the chain of its fuel supplies, the airline has been able to cut its fuel-related expenditures up to 10 cents less in comparison to the industry average (Anderson, 2014).

As a part of improving Delta's customer experience, the airlines have taken advantage of the permeation of information technologies (IT) to offer differentiated products and services to its customers (Vinod, 2018). Delta now retails a bulk of its ticket sales online, a move that has not only connected the airline directly with its customers but also cut its operating costs (Vinod, 2018, Anderson 2014). Further, IT has facilitated vertical and horizontal interactions in a managerial hierarchy that can co-occur, an example being the productive collaboration of Delta's work teams in the partner networks and market operations globally (Kaufman, 2017). An inclusive managerial workplace has fostered Delta's recent industry innovations, particularly in the improvement of airline's customer services (Antón et al, 2018).

Internal and External Functions Affecting Management

The fluctuation of fuel prices continues to present a constant challenge to the profitability of airlines. To mitigate exposure to the vagaries of fuel prices, Delta airlines acquired its refinery (Manuela et al., 2016). Equally, Delta had to develop new management paradigms to fit its acquisition of a refinery with the airline's core cargo and passenger operations. In tandem with stabilizing its fuel supply, Delta increasingly retired older, larger aircraft and opted for the newer generations of narrow-bodied, fuel-efficient aircraft.

Keeping the number of its unionized employees low is one of the Delta's strategies that ensure the airline retains a skilled workforce while at the same time reducing redundancies that come with strikes and legal actions (Antón et al., 2018). The U.S history unionization has over the decades resulted in powerful employee advocacy organizations that can make it difficult to innovate employee compensation. Employee involvement programs like Delta's employee shareholding in the corporation have afforded the airline the flexibility in managing its human resources that would not be possible if its employees were wholly unionized.

To reduce remuneration-related liabilities, Delta airlines opted to effect an employee profit-sharing plan in 2007. The plan involved sharing out 10 percent of the profits before taxes and other compensations with employees (Anderson, 2014). The profit-sharing plan was an industry first when Delta airlines adopted it and continue to differentiate the airline from its competitors. Equally, Delta airlines introduced a stock ownership plan after its merger with Northwest Airlines (Antón et al., 2018). Like the profit-sharing plan, Delta enabled staff in various employee categories to own stock in the airline. The collaboration of its employees is paramount to Delta's operations. Delta's employees are not only highly trained but are also shareholders in the airline (Kaufman, 2017). This approach in Delta's employee management strategy enabled the airline to elevate employees to a core resource for the airline, espousing the participation-commitment model (Antón et al., 2018; Kaufman, 2017). In owing part of the airline, Delta's employees have been able to offer high-quality services at their customers at competitive rates.

Adverse weather developments can also impact the margins in the airline industry. The destruction or incapacitation of major facilities such as airports and refineries due to severe weather can lead to airlines losing revenue. Severe weather events can result in air traffic accidents, a delay in scheduled flights and interrupted supplies, particularly fuel supplies (Manuela et al., 2016). To illustrate, the hurricane season in the United States has in the past disrupted domestic air travel, a development that resulted in a controlled revenue due to cancellations and reduced ticket sales. Further, negative economic shifts such as a receding global economy in 2005 saw a retraction of airline margins, the result of the high operating costs the industry at the time.

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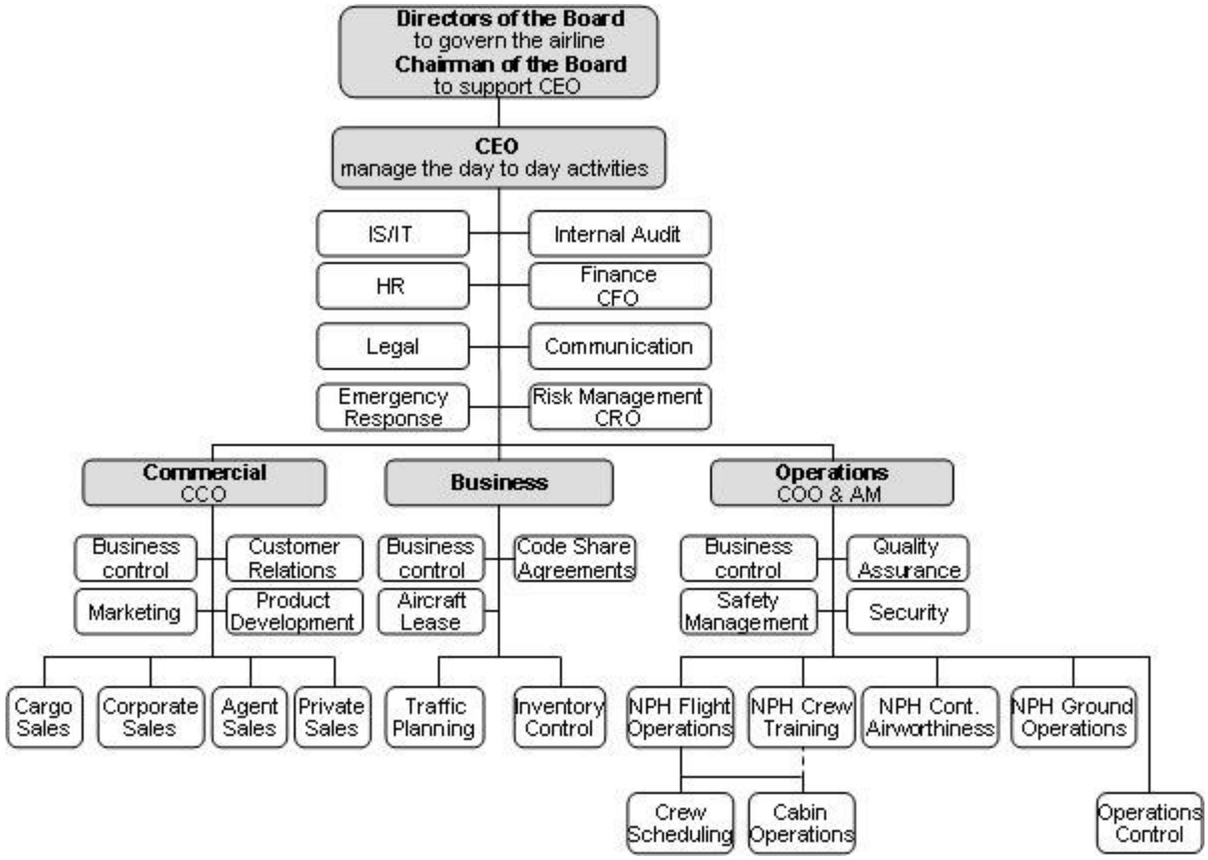
Appendix

Organization Chart.


Directors of the Board
to govern the airline
Chairman of the Board
to support CEO
CEO
manage the day to day activities
IS/IT
Internal Audit
HR
Finance
CFO
Legal
Communication
Emergency Response
Risk Management
CRO
Commercial
CCO
Business
Operations
COO & AM
Business control
Customer Relations
Marketing
Product Development
Business control
Code Share Agreements
Aircraft Lease
Business control
Quality Assurance
Safety Management
Security
Cargo Sales
Corporate Sales
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NPH Flight Operations
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Operations Control