PAKISTAN INTERNATIONAL AIRLINES (PIA): REHABILITATING CORPORATE SICKNESS

Farhan Ahmed, Hira Zafar, Javeria Idrees, Hareem Waqas

Department of Economics & Management Sciences, NED University of Engineering & Technology Karachi, Sindh, Pakistan

Corresponding Email: fahmed@neduet.edu.pk

Department of Mathematics, NED University of Engineering & Technology Karachi, Sindh, Pakistan.

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ABSTRACT

Continuous improvement or development of all types of organizations is a mandatory element for the economic growth of any country. The fast-growing pace of the economy in the world results in the augmented competition and it sometimes leads to the problem of corporate or industrial sickness. This study aims to identify Pakistan International Airlines (PIA) sickness status and to devise the strategies by exploring revival or rehabilitating factors. The commonly used Altman’s Z-score graphs have been developed and analyzed to determine sickness of an opted entity from 2008 to 2016 and to explore the revival or rehabilitating factors, interviews from representatives (sampled using purposive sampling technique) of all selected departments of PIA have been taken through a semi-structured questionnaire. The interview transcripts were analyzed through thematic content analysis and the thematic map has been developed. The findings identified clearly showed corporate sickness in PIA and authors worked on the optimal course of actions to rehabilitate the sickness and devised strategies to turn PIA into competitive entity through analyzing various internal & external reasons. This study suggests key recommendations to the Government of Pakistan to prevent the public sector (existing) entities getting sick in future.

1. INTRODUCTION

The registered enterprises existed with the minimum of five years of market experience are defined as sick units for having accrued losses at the end of any financial year and the downfall in the entire net worth. For the corporate sickness an enterprise must fall in the category of industrialism and should not be a subsidiary. Pakistan as a developing country is not capable to afford the emerging industrial sickness as it is an alarming current affair. It brings immense wastage of financial, physical and human resources. Malfunctioning or sickness in industries causes organizations to limit their efficiency and the innovation, incurring the huge losses and defaults in debt payment obligations. It is an era of satellite communication and the information technology. People are striving to get easier lives day by day. These advancements have facilitated the affordability and the efficiencies to human lives. The Airline Industry plays a vital role in adding ease to our lives. It has been just a century that airline industry has changed drastically and added in the efficiency, comfort and luxury to the travel experience. In the 21st century, the world has been reduced to a ‘global village’. The massive progress of airline business has linked momentum to all activities of this industry from production of aircraft, management of massive passengers’ quantity and trade. However, the airlines industrial sector can be punctured too. It has been observed that airlines organizations throughout the world are getting weakened and clouded by many challenges; finances, resources, and government policies.

In the past five years, terrorism, war and natural disasters have reduced the number of passengers. 2004 is considered the safest year for the airline industry of Pakistan; it was able to generate $ 1.8 billion and maximum passengers used it in this year. This was an achievement for Pakistan airline industry. It is supposed to perform well with the Operational Safety Audit program of the (IATA) i.e. International Air Transport Association. The words towards safety should be promised and practised to ensure the tourists’ expectations. The Pakistan airline industry met the accumulated losses after the worse law and order condition in the past decade. The number of reasons for the losses is high. It is because of many observed internal and external reasons. Pakistan airline industry was not taken seriously at the time when it was getting sick. Due to the unfavourable conditions, one of the leading national carrier Pakistan International Airlines got affected too due to the country’s situation including other factors (Deen & Arshad, 2007).
1.1 About Pakistan International Airlines

The Pakistan International Airlines Corporation (PIAC) came into being in the year 1955 and it was the first airline of Pakistan. Since its infancy, it has enjoyed the active patronage of successive governments. Its initial leadership was dynamic and committed. Therefore, the airline was structured on a great infrastructure and planning. This can be gauged from the illustrious record of the airline in the 1950s, 60s and the 70s. At one stage during those decades, PIA was considered the most vibrant airline in the Asian region. The advancement of this air service also added significance towards the development of its various departments and the auxiliary or the supporting management. The human resource, as certainly was produced by the Pakistan Air Force, has become the backbone of Pakistan’s aviation industry in general, and the air service industry of Pakistan in particular. Though, the viable airline industry has undergone a drastic change in its regulatory conditions internationally. The winds of the change began in the United States, with the introduction of the Airline Deregulation Act of 1978 and spread to Europe and gradually to the rest of the world. After in commission under the strict parameters approximately half-century, the airlines were given liberty to choose the routes they follow and to formulate the prices they charged. In the early 1980s, the regulations notes of Pakistan’s aviation were still evolving and the level of liberalization varied to different countries. While most of the countries have stimulated fast, Pakistan is still in its evolution phase. The policy concerning deregulation remains clouded with uncertainties and lack of clarity. Resulting, different sectors of the industry remain entirely puzzled. In the year 1982, the Pakistan Civil Aviation Authority (CAA) was formed as a dictatorial entity through a clause in the upper house, at the order of the International Civil Aviation Organization (ICAO), to preside over and support civil aviation activities in the country with ICAO suggested practices. The newborn CAA faced relentless confrontation from the various professional teams of PIAC. As the CAA started to progress a bit and started making hard work to sincerely embark on its regulatory obligations, the confrontation from the national carrier started to seize an unsightly shape. Neither the government of that time nor the leadership of PIA and CAA made any meaningful and the concerted effort to curb these detrimental tendencies. This resulted in a steady but a decline in values of all sectors of airline working. It also led to professional compromises by some CAA cadres. This condition had become the highlighted reason for the deflating of Pakistan’s Civil Aviation Authority a decade later (Deen & Arshad, 2007)

1.2 Pakistan’s Aviation Policy

It must also be stated that Pakistan’s National Aviation Policy has been reviewed and revised several times in bits and pieces, mostly by unprofessional bureaucrats and people with vested agendas. It is now a moth-eaten document, which is perceived as protective and somewhat tilted towards the national carrier. Nonetheless, neither the national carrier nor the airlines in the private sector of Pakistan find the current aviation policy acceptable. These circumstances are a major in the periodic success of the aviation sector of Pakistan. Lack of vision, inability to use modern management tools and poor infrastructure, are some of the other factors responsible for this situation. In contrast, several smaller and lesser-developed countries of the world, including a few in this region, have correctly envisioned and based their national development plans on the back of their vibrant aviation sectors. Those who have aced their cards and did what they had to, are reaping the fruits of their forward-looking policies. Others, like Pakistan, which were unable to meet competitive demands, continue to be left behind. The pace of growth in the region is now so rapid that within the next five years it would become next to impossible to catch up with the market leaders simply because of high investment costs, and lack of professional human resources.

1.3 Open Skies Policy

Open sky refers to an agreement between two countries to allow any number of airlines to fly from either of them without any restriction on number of destinations, number of seats, price and so on. However, this is a general definition. In actual practice, there are always some restrictions. During the 1990s the government of the Islamic Republic of Pakistan considered an Open Skies Aviation Policy legally, and signed a memorandum of understanding with several countries of the region and outside. These conducts were opted in a rush without determining the implications of “Open Skies” for Pakistan’s carriers. Pakistan International Airlines, which was at that time majorly depending upon domestic and racial passenger traffic, suddenly found itself contending with outside carriers at even nationally in home. The resultant chaos led to more mystification in the minds of unethical officials, the regulatory entity and of course the national carrier. Each was observing closely through its circle of interest, bit realizing the negative projection of the actions, or the inactions, on the state of the civil aviation authority of Pakistan in overall, and the airline industry in particularly.
1.4 Research Objectives

The research is based on the following objectives:

- To deal with complexities incurring corporate sickness and propose a strategic model to restructure and stimulate corporate subsidize
- To recognize PIA’s sickness status using the Altman Z-score model
- To explore revival or rehabilitating factors and devising strategies for PIA revival

Organizations are always seeking forward better opportunities. The organization's fund projects that incorporate strategic alternatives. Every working entity doesn’t want to be in the list of bankruptcy and strive to meet liabilities but some of them fail due to downturns and deflations in the economy. There was a need to work in this domain to come up with better alternatives. We used the Altman’s Z-score model along with liquidity test and worked on capital investment efficiency test to determine whether PIA comes in financial sickness or else it is a healthy entity. This study analyzed many aspects of genuine procedures which have to be abiding by during Corporate Rehabilitating of mentioned corporate and, the role of Government in Restructuring of Public Sector Sick Companies. This study gives key recommendations to the Government of Pakistan to prevent the public sector entities getting sick in future. The authors have identified the desired and actual quality gap. The study concludes that reliability and empathy are the top most essential components of customer satisfaction. There is a significant difference in all desired and actual components of service quality. The components which PIA needs immediate improvement are its ability to provide dedicated services and better food quality during flight. (Farooq et al., 2019)

Abbasi et al., (2018) explored the historical trajectory of corporate governance concerning its introduction to Pakistan International Airlines. The corporation has experienced hard criticism due to its poor performance, corruption and inefficiency. The study is based on secondary data analysis of annual reports, news reports archives, and important documents related to Pakistan International Airlines Corporation Limited (PIACL) for a period from 2002 up to 2016. Findings reveal corporation earned embarrassment to the organization for several reasons such as deteriorating performance, mismanagement, conflicts between management and union, overstaffing, inadequate number of aircraft in the fleet, discriminatory human resource policies, staff’s involvement in smuggling, unsound practices of transparency and accountability. Though corporation adopted corporate governance in 2002, however, it has consistently sown discouraging performance despite various equity injections and bailout packages. A study on industrial sickness and sources of finance for developing of Sick units in Gujarat determine the factors like the bank’s under financing, alteration in government policies, improper power supply and competitiveness in the market were the reasons for sickness (Agarwal & Upaddhya, 2014).

Several pieces of research have employed Altman’s model in determining how well the Z score model could distinguish between bankrupt firms and non-bankrupt firms. This paper attempts to determine the extent to which Altman’s Z-Score model well predicts corporate sickness among Indian companies. The study employs a sample of 30 companies declared sick by Board for Industrial and Financial Reconstruction (BIFR) and 30 non-sick companies in India during the period 2007 - 2011. The results of the study showed evidence that Altman’s Z score model does not fully predict sickness among Indian companies. It is found that the percentage of sick companies correctly classified is maximum at 83.33% in the second year prior to sickness. (Shanmugam & Mahalakshmi, 2014). Illness is associate process, the method of illness could take many years, however the seeds of illness will be envisioned at an awfully early stage within the life cycle of associate industrial unit. (Singh, 2011)

Gerantonis, Vergos, & Christopoulos (2009) analyzed whether Altman Z-score models, can predict correctly company failures. The empirical analysis examines all listed in the Athens Exchange companies, during the period
2002-2008 and discontinuations of operation for these companies during the same period. It is investigated whether Z-score models can predict bankruptcies for a period up to three years earlier. The study shows that Altman model performs well in predicting failures. This is in line with other findings. They found that this model was useful in identifying financially troubled companies that may fail up to 2 years before bankruptcy as it matches both accounting data and market value. The empirical results are interesting since they can be used by company management for financing decisions, by regulatory authorities and by portfolio managers in stock selection. Junejo (2009) found that lack of expertise/skill was the factor acts mainly at the initial stages of the project. Many projects were sick by birth because of poor feasibility reports regarding the demand of product in various markets, wrong choice of technology, inappropriate forecasting of financial requirements, deferred in supply of plant and machinery or their installation or release of funds by financiers. No clear vision, goals and objectives. The root of all these problems may be traced to the lack of expertise in project planning and management on behalf of entrepreneurs and promoters.

Four types of bankruptcy prediction model Altman’s (1968) Z-score model based on financial ratios; Aziz, Emanuel, and Lawson’s (1988) model comprised of cash flows; Clark and Weinstein’s (1983) market return model, and Aharony, Jones, and Swary’s (1980) market return variation model. It was found out that in the year prior to the bankruptcy, the ratio model was the most effective in elucidating the possibility of bankruptcy and in the three years preceding bankruptcy, the cash flow model most reliably discriminates between bankrupt and no bankrupt firms. (Mossman, 1998). A discussion on three predictive financial models of industrial sickness based on financial ratios developed by W.H. Beaver, E.I. Altman and L.C. Gupta. The author mentioned that no attempt has been made or no research work has yet been taken to select the best financial ratios for sickness prediction of industrial units in Bangladesh. He suggested considering the value-added figure instead of profit figure as the performance indicator of the business. The author has not suggested any specific model which could suit the context of Bangladesh or not developed any model to predict the industrial sickness of Bangladesh (Momin, 1994). Four criteria to recognize an industrial project as sick. She revealed some causes of sickness in a particular industry in terms of those criteria and gathered them into four viz. (i) Reasons for net loss (ii) Reasons for crippling debt-servicing burden (iii) Reasons for slowly dropping share price and (iv) Reasons for under-utilization for industrial volume. She also recommended some remedial measures for revival and rehabilitation of sick industries to create the pace of new industrial investment in Bangladesh. She has not selected any specific industry either sector or unit wise and it is, in her study, not clear that in what basis or process she specified four criteria to identify an industry as sick (Begum, 1990).

Features related to corporations’ failure could be classified into three categories namely, (i) Inherent deficiencies in the genuine organization and financial structure of the company (ii) Management errors and (iii) Indicators of deterioration and thus supported the fact that lack of financial proficiency among top management team members was linked with economic failure. (Argenti, 1976).

1.5 Way Forward

![Analytical Map](image-url)
2. RESEARCH METHODOLOGY

In this research, we aimed to ask for PIA respondents’ opinions regarding PIA’s performance. With this, we can acquire the respondents’ attitude, opinions, and intuitions about our research topic. For this purpose, a questionnaire was designed comprising of 29 questions based on 4 propositions. Data from financial statements was also collected. A company’s financial statement is the representative of its financial health and earning potential. It also reflects the financial activities and position of a business. PIA’s balance sheet and income statement from 2008-2016 had been used to predict its financial health. For this study the financial data was obtained through the audited annual reports published by the Pakistan International Airlines included Balance Sheet and Income Statements (See Appendix). The data regarding the ratios were not available through published financial statements present in the audited annual reports; therefore, we had used some of the proxy variables for the ratios. However, the data regarding the Thematic Analysis was extracted through interviews of Pakistan International Airlines officer, from which managers were preferred. Interviews had conducted with limited people due to limited contacts. True views and data confidentiality were also a restriction throughout the project. There was a time constraint as PIA is an enormous public airline and it requires a long term working on it and 10 months to reconstruct it was a very short period.

We analyzed financial statements of Pakistan International Airlines that is the balance sheet and income statement for ratio analysis and Altman’s model and found the required variables missed in data.

- Dividends to the shareholders taken as zero for analysis as PIA doesn’t pay dividends due to the lack of finances.
- Inventory variable is not recorded in the financial statements because PIA doesn’t own physical inventory but they give services majorly.
- The market value of equity, share prices, retained earnings and working capital also are found to be not in the statements.
- The unavailable variables which are necessary for the research work are generated synthetically.
- The data we generated through interviews are later found some question irrelevant, unnecessary and repeated ones, thus removed.
- Due to the unavailability of the required audience for interviews, the restriction of incorporating managerial opinions only was relaxed for one interview to assistant manager.

To achieve the research objectives (based on Quantitative method), following testing has been done.

2.1 Altman’s Z-Score Model

Prof. Edward Altman had constructed a new model that distilled five key performance ratios into a single score called Z-Score, which gives investors a good snapshot of a firm’s financial health. The model uses five ratios to consider both financial problem and operating problems of the firms as follows:

\[ X_1 = \frac{\text{Working capital}}{\text{Total Assets}} \]

It measures liquid assets concerning the size of the company.

\[ X_2 = \frac{\text{Retained earnings}}{\text{Total Assets}} \]

It measures profitability that reflects the company’s age and earning power.

\[ X_3 = \frac{\text{Earnings Before Interest and Taxes (EBIT)}}{\text{Total Assets}} \]

It measures operating efficiency apart from tax and leveraging factors. It recognizes operating earnings as being important to long-term viability.

\[ X_4 = \frac{\text{market value of equity}}{\text{Book value of total liabilities}} \]

It adds the market dimension that can show up security price fluctuation as a possible red flag.

\[ X_5 = \frac{\text{sales}}{\text{Total Assets}} \]
It is a standard measure for total asset turnover (varies greatly from industry to industry).
And the model is:
\[ Z = 0.12X_1 + 0.14X_2 + 0.33X_3 + 0.006X_4 + 0.999X_5 \]

2.2 Liquidity

The liquidity ratios are used to measure the short-term solvency of a firm. A firm should check that it does not suffer from a shortage of liquidity, and also that it is not too highly liquid.

Two ratios have been used as follows:

- **Current Ratio**: The current ratio is a liquidity ratio that measures whether or not a firm has sufficient resources to meet its short-term obligations. 
  \[ \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \]
- **Quick Ratio**: It is also known as the acid-test ratio. It is a type of liquidity ratio to measure the capability of a firm to use its liquid assets to extinguish or retire its current liabilities instantaneously.
  \[ \text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} \]

2.3 Working Capital Investment Efficiency Test

To validate the liquidity test, it is necessary to test the working capital investment efficiency test also, because inventory and accounts receivable (debtors), the two important constituents of current assets, may sometime block the proprietors' fund.

These are the common working capital investment efficiency ratios:

- **Inventory turnover ratio**: (Cost of Goods & Services/Average Inventory)
- **Days inventory outstanding**: (Average Inventory/Cost of Goods & services) *365
- **Debtors turnover ratio**: (Sales/Quick assets)
- **Days sales outstanding**: (Quick assets/sales) *365

To achieve the research objectives, based on qualitative research, thematic content analysis has been applied.

2.4 Thematic Analysis

Thematic analysis is the approach for analyzing & predicting patterns within qualitative data. It lets the researcher to have flexibility of theoretical framework. It can be used with any theory. It allows researcher to have the detailed and better insight of the qualitative data. The open-ended interviews are conducted to serve this research purpose. The audience for interviews i.e. the population used in this analysis was based on the managers of Pakistan International Airlines to distinguish their opinions regarding company’s history, challenges, solutions and their future expectations. This approach emphasized on the subjective sampling of the population in order to had more significant outcomes. The number of participants was grouped into 3 parts with respect to their main departments according to company’s organigram. The interviews conducted were from 12 respondents as per the availability criteria.

2.4.1 Respondents Profile

Interviews were taken using purposive sampling technique. All the interviewees of this research were males and current employees of Pakistan International Airlines. Most of the respondents were at the managerial post but 3 out of 12 were assistant manager, 2 from HR and 1 from the finance department. All the respondents who were in these groups had either been part of the organization for a longer time or on the distinguished positions in the company.

The following propositions were proposed for the study:

2.4.2 Propositions

1. There is a need to study the challenges, strategies and expectations regarding PIA.
2. For the successful company culture, there must be relevant possessions for all the stakeholders, employees, management, and customers.
3. Financial literacy is an issue that must be sorted in the consideration of the adaptable experience of finance representatives.
4. The marketing department is responsible to understand how the customer wants to buy and help them to do so.

The resources which were required to carry out this research were allowed from the opted organization that is Pakistan International Airlines to collect data from their employees. Moreover, the time and effort consumed to carry out the research was a fundamental resource required for this study.

3. ANALYSIS

3.1 Altman Z Score & Liquidity Test

Table 1. Z-Score & Liquidity Test

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<tr>
<td>X1</td>
<td>(1.776)</td>
<td>(1.558)</td>
<td>(1.411)</td>
<td>(1.321)</td>
<td>(1.122)</td>
<td>(0.695)</td>
<td>(0.465)</td>
<td>(0.324)</td>
<td>(0.411)</td>
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<tr>
<td>X2</td>
<td>0.393</td>
<td>0.933</td>
<td>0.894</td>
<td>0.52</td>
<td>1.023</td>
<td>1.252</td>
<td>1.711</td>
<td>1.085</td>
<td>0.377</td>
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<tr>
<td>X3</td>
<td>(0.291)</td>
<td>(0.141)</td>
<td>(0.098)</td>
<td>(0.243)</td>
<td>(0.165)</td>
<td>(0.141)</td>
<td>(0.005)</td>
<td>(0.025)</td>
<td>(0.226)</td>
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<tr>
<td>X4</td>
<td>0.131</td>
<td>0.136</td>
<td>0.072</td>
<td>0.089</td>
<td>0.048</td>
<td>0.0276</td>
<td>0.031</td>
<td>0.033</td>
<td>0.043</td>
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<tr>
<td>X5</td>
<td>0.808</td>
<td>0.787</td>
<td>0.656</td>
<td>0.768</td>
<td>0.871</td>
<td>0.918</td>
<td>0.847</td>
<td>0.59</td>
<td>0.636</td>
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<tr>
<td>Z-Score</td>
<td>0.55</td>
<td>0.68</td>
<td>0.58</td>
<td>0.60</td>
<td>0.82</td>
<td>0.96</td>
<td>1.03</td>
<td>0.70</td>
<td>0.56</td>
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Liquidity Test

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<tr>
<td>Current Ratio</td>
<td>0.13</td>
<td>0.12</td>
<td>0.01</td>
<td>0.13</td>
<td>0.13</td>
<td>0.16</td>
<td>0.22</td>
<td>0.25</td>
<td>0.21</td>
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<tr>
<td>Quick Ratio</td>
<td>0.12</td>
<td>0.107</td>
<td>(0.004)</td>
<td>0.109</td>
<td>0.11</td>
<td>0.121</td>
<td>0.166</td>
<td>0.187</td>
<td>0.155</td>
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Benchmark

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<tr>
<td>Distress Zone</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
<td>1.81</td>
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Fig. 1. Liquidity Test

Fig. 2. Altman Z-score
Fig. 2 & 3: These particular graphs show that green line is the benchmark line of healthy zone and red line is the benchmark line of distress zone. Whereas Z score values of PIA from year 2008 to 2016 lying under the distress zone that is less than 2.00 which determine that PIA isn’t the healthy entity. Values of liquidity ratios are below 2.00 and 1.00 for Current and Quick respectively in fig.03 shows liquidity crises throughout the years. Therefore, it states that company is unable to meet its short-term liabilities and validates Altman Z score model.

3.2 Working Capital Investment Efficiency Test

Table 3. Z-Score & Liquidity Test

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<tr>
<td>Day Sales Outstanding</td>
<td>111.062</td>
<td>88.14</td>
<td>(3.437)</td>
<td>78.981</td>
<td>60.031</td>
<td>39.768</td>
<td>42.658</td>
<td>49.765</td>
<td>46.464</td>
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Fig. 2. Working Capital Investment Efficiency Test

Fig.04: This shows that company doesn’t expend on inventories much by buying then wasting resources and doesn’t hold inventory for a longer period, inventory turnover line and day’s inventory outstanding can be seen steady without the major fluctuations throughout the mentioned years. In this graph, there are an outlier shown which illustrates negative (the low) receivables collected by the company that means it couldn’t convert its credit sales into cash in 2014 which also affected the days’ sales outstanding.

3.3 Thematic Analysis

Thematic analysis for devising the strategies to reconstruct Pakistan International Airlines by explaining variables and themes constructed during the analysis in the course of focused sessions and detailed interviews. Periodic patterns found in the data have been distinguished through a notional, empirical or top down approach in which the data is described. Analysis is supported by the causation aligned from the literature review. The role of demographics and the external factors in underlying themes of challenges is followed by their optimal solutions. An explained outlook of conducted thematic analysis is illustrated in figure 06.
As a follow up of our Questionnaire theme, we put our target in four main divisions i.e. General (applicable to all concerned units), Marketing (patterns relevant to strategies of marketing department), Finance (themes covering sickness issues), Human Resource (tracking some major barriers). Queries from the General portion and Finance department generated surprising patterns of relevancy, accuracy & similarity of the answers given by our population. Marketing & HR departments supported in conducting the entire thematic analysis.

Most of the employees realized the inconsistent behaviour like persisting higher staff (CEO’s) which frequently changed (up to 7 to 8 changed already in 2011) and working culture not matching since PIA’s establishment that ultimately leads it to a disturbing work environment and towards sickness.

Privatization is highlighted as the strategic movement to get rid of the outrageous inefficiencies and to open up gates for investors for large investments, profits, shares and to revive the airline again there is a need to rationalize loss making roots and to counter check the accountability the airline’s primary objective needs to be revised.
The employees mentioned the lack or shortage of current resources to conduct day to day operations and to meet corporate strategies. Resources like aircrafts (currently need 32-50 for breakeven), efficient HR and internet access, cost control and revenue generating tools are all in shortfall causing malfunctioning more severe and to overcome it business plans are in the process of completion for implementation.

Fleet Expansion is the need of the hour for the airline and the employees as a first step of the strategic planning for medium- and long-term basis. Features like crafts equipped with advanced technology, route analysis and expansion, rationalizing the aviation policy of the airline, fulfilling technical lacking and trainings along with committed work force are required.

If privatization is not the case then employees firmly believe that the airline will reach to at least breakeven position (generating no visible gains but holding back from losses i.e. operational profits) and take to the action steps of improvising administrative controls, enhanced services, passenger satisfaction and build up trust, and efficient marketing strategies.

Employee’s priority is necessary to every organization for accomplishing its targeted goals. A healthy work environment along with employee’s benefits should be the main source in the game of work of organizations. Burdened employees lose their interests, efficiency suffers and the employees start looking on multiple better options of their interest and well-being. Investing in the employee’s concerns always take them to strive more to be on their best in functioning.

Almost all the staff believed in job security & salary as the most important priority of PIA’s employees considering the law and order situation and economic recession in the country.

Challenges like unclear and undefined organizational problems and goals are barriers facing many organizations causing lacking in innovation and efficiency required to compete and excel in today’s world. New methods to enhance and increase responsiveness and competitiveness are necessary for the firms that are in desperate need for market growth.

Our literature knowledge increased with the discussed main challenges of competition, corruption, open sky policy, and negative cash flows PIA is facing currently.

PIA is distinguished from the competitors like Emirates and Qatar Airways in the sense of its National flag carrier title, its open sky policy plus economical downfall of the country limiting the airline to grow and flourish.

Due to the shortfalls and loss conditions, PIA is not yet able to generate dividends taking the airline to negative cash flows with zero dividends and much greater liabilities.
Fig. 7. Responses from Finance Department

The Finance department provided us with some major findings of the root level problems categorized accordingly: Hotels, Loan guarantee, Replacement of VRP by ERP, Upfront purchase (not now), more loans, System leakages

- Beside its travelling services, PIA also rendered investments in Hotels, loan core businesses, and Cargo (lift cargo) but now cutting off all these investment plans for airline recovery
- The Finance department of PIA confirmed that PIA is not entertained with any type of financial aid in past or present and rejected all the relevant news rumours. According to the department the airline is provided with the Guarantee of loan by the present government. The guarantee is a type of financial guarantee for Bank coverage for performing day to day operating services and to increase the required number of aircraft as per the recent under process business plan.
- The main reason for the unpublished Financial statements and audits is the Replacement of PIA’s VRP system by the newly ERP system which caused audit reservation and auditors opinion disagreement and comfort issue
- As the statements are showing continuous decrement, there are no such alternatives of buying the needed aircraft than on lease but the upfront purchase could be an alternative only when the situation is stable
- PIA being a sick corporate now has no other option to take more loans to cover its current liabilities as there are no available resources, no operational profits and no strategies to alter the downfall currently so only solution right now is to take more loans to cover previous ones
- Open sky policy and System Leakage are the two main barriers for PIA in reaching its revenue goals and cutoff expense target

Fig. 8. External Factors affecting PIA

External factors competition, resources and technology, economy, political and social conditions have much influence upon the organizations. Factors like current operations, growth, and long-term sustainability are significantly influenced by these external factors driving visible changes within the organization and ignoring or neglecting them can be an expensive mistake. Environmental scanning like SWOT analysis can help encounter all such factors allowing the organization to decide what changes or strategic steps are required to maintain a competitive benefit.

- Fuel cost of the aircraft in this recession period and competitive environment with big names like Emirates and Qatar airways along with PIA’s aviation policy are the main external factors that are creating a blockage to reach its goal. Beside them, corruption is also present on operational and employee level which is slowing down the progress process
Fig. 9. Suggestions to Improve Profitability

Profitability improvement suggestions are the key to achieve desired goals as Profit is mandatory for sustainability and future growth and expansion. By prioritizing the chosen strategies to improve profit condition the organizations can reach to benchmark stage.

- Cost detainment and cut down of unnecessary expenditures and route and policy rationalization are the most important ones to stabilize PIA. Others include increasing exposure of the airline via tourism linked with peace, reduction of political involvement, quick decision implementations, employee right-sizing, market expansion, improvised quality control services and profit-generating customers are all needed to sum up profitability.

Fig. 10. Responses from Human Resource dept

Human Resource PIA provided us with the basics of the operating system of the management and staff featuring political influence, a strict policy of assigning goals and maximum shareholder as the main to look upon in its administrative environment.

- The HR persons emphasized that there should not be any kind of political influences on any level for hiring and firing, inspection, monitoring and security measures within PIA.
- Further, the HR employees came up with the criteria and conduct to be on a strict policy of assigning goals.
- To improve the management HR strategies like maximum shareholders and investors should be invited to invest in the interest of PIA to stabilize the country’s only national flag carrier and share the profits with the government and concerned authorities.

Fig. 11. Responses from the Marketing Dept

The Marketing department cooperated with us to distinguish the steps and strategies in promoting the status and services of PIA with some of the issues to be revised and update enlisted ones are: DE marketization, Cost-effectiveness, Sale increment.

- DE marketization is blamed as the major internal barrier in selling the airline’s services associated with old reservation schemes and system limitations.
• The marketing department is pretty sure on the increment in both sales and number of customers as compared to past decades and some of the competitors like Ittihad airline due to the recently adopted Turkish reservation system

• The main reason for replacing PIA’s previous IT system with the new one is the Cost-effectiveness the Turkish IT company (HITIT) proposed with this new system of reservation so it is cheaper than previous one and updated version of it forbids the airline to restore or develop its previous system.

Fig. 12. Suggestions to improve Marketing

Marketing improvement suggestions are always emerging consisting of ever-changing strategies along with the evolving social media techniques which connect the organizations with bigger platforms and ultimately hitting to their targets.

• Web selling, Co-Branding, and Balanced incentive schemes are some of the quick marketing tips to be in the hand of the airline to enhance and promote its brand. The airline recently started with the strategy of selling its advertisement spaces for franchises with large market shares like Mc Donald’s and Meezan Bank in means of selling its name to attract the customers and to increase its sale pitch.

4. DISCUSSION

The opted organization Pakistan International Airlines is found to be sick as it Z-score is rather low than the benchmark of sickness is less than 2 during the years 2008 to 2016. The liquidity ratios are comparatively lower than 1 which states that the organization is unable to meet its short term liabilities. The working capital investment efficiency ratios were used to determine the turnovers of PIA which projected that the organization doesn’t expend on inventories much by buying then wasting resources and doesn’t hold inventory for a longer period. Negative (the low) receivables collected by the company that means it couldn’t convert its credit sales into cash in 2014 which also affected the days’ sales outstanding. The General portion gave us some interesting responses about the organization and employee concerns and the found variables are frequently changed body, privatization, Resources shortfall, Fleet expansion, breakeven position. The Finance department provided us with some major findings of the root level problems and its variables are hotels, loan guarantee, replacement of VRP by ERP, Upfront purchase (not now), more loans, and System leakages. Human Resource PIA provided us with the basics of the operational system of the management and staff featuring. Its extracted variables are political influence, a strict policy of assigning goals and maximum shareholder as the main to look upon in its administrative environment and the Marketing department corporate with us to distinguish the steps and strategies in promoting the status and services of PIA with some of the issues to be revised and update enlisted variables are DE marketization, cost-effectiveness and sale increment.

5. CONCLUSION AND POLICY/MANAGERIAL RECOMMENDATIONS

5.1 Conclusion

An unbiased analysis of the current aviation scene in Pakistan brings out the following harsh facts: Pakistan is inadequately and poorly served by its own and foreign carriers both for passenger and cargo carriage. Lack of meaningful incentives to the industry does not allow quality carriers to develop in the country. Pakistan’s tourism industry continues to remain stunted because of many reasons: this being so despite the existence of many attractions similar to those found in India, where tourists flock in hordes, several coming on repeat visits. Apart from the questionable law and order situation, lack of adequate support infrastructure, archaic laws, hostility of a segment of our society towards foreigners, there is also a lack of confidence in our international carriers in terms of value for money, reliability, etc. The downstream industry in Pakistan, which is dependent for its survival on the thriving aviation industry, also remains limited and weak. Investment in the hotel industry is rather limited because of insignificant growth in tourism. Regular advisories against travel to Pakistan by major governments do no good for this industry. Similarly, smaller segments of the ancillary industries also continue to suffer heavily (transportation,
portage, catering, ground handling, etc.). A vibrant airline industry plays a pivotal role in projecting a country and improving its global market image. Not so in Pakistan for reasons explained earlier. Our carriers, airports, the personnel involved in public dealing within this industry, apart from the retail outlets, hotels, restaurants, and transporters, etc., have all to play a part in this important ongoing exercise. Of course, nothing can manifest itself on the ground unless the government of the day ensures the implementation and coordination of laws and activities considered essential to achieve positive results in this regard. The government, in consonance with all the stakeholders, should consider restructuring the CAA so that its current functions of safety regulation, economic regulation and airport infrastructure development can be carried out effectively in a professional manner.

5.2 Recommendations

5.2.1 Government Conducts to Improve Aviation Policies

Pakistan has to cover a long way to have fruit from the advantages of having a vibrant civil aviation industry. Even though the task is undoubtedly huge, but it is not unworkable. Some mandatory decisions have to be taken to witness the progress of aviation sector of Pakistan. The government needs to set up a professional sophisticated state committee on civil aviation. It should be including the representatives from all the national and private carriers of the industry, the government, the armed, the regulatory entity, and the support industries. A representative of the tourism sector should also be in this committee. The establishment of the Edwards Committee of the United Kingdom during the years of 1970s is an example. An individual with high rational veracity, and skilled standing in the field of aviation, should be appointed to lead the committee. The government should restrict the committee to study the state’s National Aviation Policy, and also those of some other rising countries such as India, China, Iran, Malaysia and the United Arab Emirates and come up with a detailed and revolutionary policy that could be implemented after approval by the Cabinet. The committee should also study the aviation policies of the United States of America and the European Union to adopt the finest way of dealing the air routes. These studies would identify global practising and the variety of limitations that can exist in our policy and thus can be efficiently implemented. Moreover, accountability should be made mandatory, inefficient factor should be reduced, and the corrupt workforce should not be allowed to remain a part of professional aviation institutions. Pakistani government still needs to understand the severity of amending these policies rightly to have a significant impact on our national carrier’s reconstruction.

5.2.2 Crucial Period

Reconstruction of sick industries has emerged as the important action plans that stakeholders have to take today in the corporate world. Our study projected certain necessary approaches. The policies suggested in this research should be undertaken without concerning the financial performance of the company as PIA does not have a significant impact upon the profitability already and occurring massive losses so recommendations regarding the sickness problem, the formulated policies would be beneficial. In conformity with the conclusion derived from the attempted analysis, it has been noticed that deflating activities have been in practice by Pakistan International Airlines since the past decade, and the problems have been penetrated deep into the organization. Therefore, a ‘Crucial Period’, a fraction of the strategic model of the research is proposed to be implemented for a specified period. The following measures are explaining the ‘Crucial Period’.

Duration of Period

The mentioned period has to be exercised for at least 10 years. It is the minimum period so that government and employees would cooperate to contribute to reconstruction.

Policy Restrictions

Change of policies should be restricted because short term policies cause a disturbance in productivity. Any kind of policy or regulation must not be changed during the change of government. The relative change is required to be observed while policies are implemented for at least two governments’ governing complete tenures.

Auxiliary Objectives

Pakistan International Airlines should strive for the profitable routes only, even though PIA is a national carrier and prioritizes national routes only. During the crucial period, PIA must be a profit-seeking organization.

Finance generation through taxes

A certain proportion of the salaries should be deducted from employees who are tax filers, that are individuals or businesses earning more than 400,000 Pakistani Rupees annually are required to pay a tax of reconstruction.
Finance generation through welfare drives

Welfare drives should be assigned to the main departments of the organization to generate specified fund semiannually to compensate the expenses done for devised incentive or deal based strategies.

Ban of expensive routes

There are some routes where PIA uses its large capacity planes which are expensive as compare to sale from these routes. Therefore, there should be the outlaw of the usage of big planes for the routes where there is no profit or incur worth even less than the break evens.

Cost-cutting measures

Strict operational cost-cutting should be implemented during this crucial period. No job incentive, specifically free tickets to the employees. Electricity saving measures should be taken on a priority basis. PIA should strictly minimize employees’ quantity and maximize their skills.

5.2.3 Economic Policies/Scheme/Deals

Any business or organization’s goal is to achieve a particular target of profit. For this, they must and should have such policies, schemes or any kind of deals leading to the organization’s mission. These are required to situate the standards of conduct and performance and to clearly define and set expectations for employees. Updated and regularly reviewed policies assist organizations in meeting their obligations at law. These could be used to locate the available procedures and options for addressing inconveniences at the workplace. The ruling government plays a vital role in deciding the economic environment of businesses through economic planning, industrial policies and regulations and budgets etc. Similarly, deals on their part are considered essential to maintaining a healthy business environment where mutual agreements of exchanging products or services take place enabling organizations to pool their resources and ensuring for better utilization of resources. These deals have their fair share of benefits and drawbacks and to have profit generating deals the involved parties must consider the effective negotiation strategies.

After done with our research part on the real situation, running problems and issues and above all the confirmation of PIA in the list of sick enterprises we have analyzed with help of our findings that there is a definite need of a certain model, policies and deals to revive PIA as one last step before it still malfunction and get privatized. Taking into consideration the lack of resources and finances to invest in, further increasing huge liabilities and not reaching to profit or even break-even position by PIA, we have devised some policies, rules and deals as our suggestions to both the government and PIA to push back the condition.

- The government could introduce “Free Tourist Visa Policy” to attract international tourists for increased tourism in Pakistan and to avail, this policy tourists will be encouraged to use PIA services (only during the crucial period)
- The government could set a rule particularly for media artists(actors, actresses, anchorpersons, singers, journalists) and people involved in any political party mentioning the compulsion to use PIA services for travelling to promote the slogan of “Be Pakistan By Pakistan” and as a gesture of patriotism(not applicable for emergency medical reasons)
- PIA could introduce a “Traveler Bonus Point” deal, A sample deal could be as if the passenger use PIA service for more than five flights he will be given up to 30% off discount offer on Business class ticket for next flight to utilize business class tickets
- The ruling government is suggested to grant an increased percentage of tax revenue to PIA as compared to the proportion provided in previous years to limit further liabilities
- PIA could do business deals with companies who use cargo for their stock. A sample deal could be as if a company would use four PIA cargo flights in six months one cargo flight expense would be given free of cost. Through this deal, PIA could spread its cargo business in international markets and could profit other than flight passengers
- PIA could do customer discount deals with big names of food businesses like McDonald’s and KFC. A sample deal could be as PIA passengers could show their deal ticket receipts printed with discount offer say $2 off on one meal. This deal will increase sales of both parties and bring more passengers and customers
- The ruling government could introduce a common policy for both sectors of Pakistan Railways and Pakistan International Airlines to do passenger switching agreements. A sample could be as if railway sector give its eight half-payment passengers (60 and above years of age) to PIA then PIA will give 40% off discount on
business class tickets to half-payment passengers and will take their two free ticket senior citizen passengers (80 and above years of age) free of cost to provide them comfort. This agreement could also benefit the railway sector for having space for full payment passengers which was reserved by free ticket senior citizens (during the crucial period only).

- PIA could provide offers to the emerging young Pakistani You Tuber’s community. A sample offer could be as PIA will provide a platform to market their YouTube content by entertaining the passengers with their videos playing on the screens in domestic flights if any Pakistani you Tuber travel by PIA.

- Pakistan Embassy could introduce a policy for foreign investors (Chinese investors in particular) to use PIA services as a compulsion either on arrival or departure during a crucial period

- PIA could introduce the “Self-Ticket/ Visa/Passport Print” policy applies only in a crucial period in which soft copies of tickets, Visa or Passports would be sent to the concerned passengers online. This policy could reduce the documentation cost expenditure of PIA

- PIA could provide offers to Higher Ranked Armed officers to travel in Business Class along with 3% off on family tickets overall during the crucial period only.

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