



Shaping flexible organizations – how to deal with COVID-19-induced uncertainties

COVID-19 continues to pose the most significant challenge to the aviation industry in history. The first of a series of articles outlines key areas of focus to enable aviation organizations' flexible responses to the rapidly changing requirements of the day. Deep dives on each focus area will follow.

August 2020, by Henrik Maedler, Senior Consultant at Lufthansa Consulting

Industry in crisis

At the time of writing, many aviation players have been executing crisis plans for months, and particularly airlines have sought state-aid to overcome the most immediate liquidity squeeze – unsurprising, given that most airlines had a mere two months of cash reserves at the end of 2019, according to IATA analysis.

That same analysis, some months on, now suggests that the drama is far from over – while some domestic or intra-continental demand has returned for the Northern hemisphere summer, traffic (as measured in RPKs) is still down >85% worldwide. And with COVID-19 numbers still climbing globally, reduced corporate travel and weak consumer confidence, IATA now estimates a return to 2019 traffic levels only in 2024.

Where to focus now?

Traditional thinking would have it that aviation organizations' focus should now depend structurally on the future-readiness of the organization and financially on its available liquidity reserves.

Consequently, liquidity-strapped organizations would focus in any case on stringent cash management – and on a more comprehensive turn-around in case the organization showed signs of limited future-readiness. Organizations without immediate liquidity troubles would focus on organizational development and ultimately on continuous improvement.

Lufthansa Consulting experts believe that there is a **corridor of COVID-19-induced uncertainty**, cutting across this traditional model. Organizations will need to reconfigure to deal with this uncertainty, changing course as new information and market dynamics emerge. The flexible organization will be constantly challenging its planning assumptions, quickly adapt and show resilience to potential further adversity in the future.

Shaping flexible organizations: Strategic options for airlines & airports

SIMPLIFIED OVERVIEW

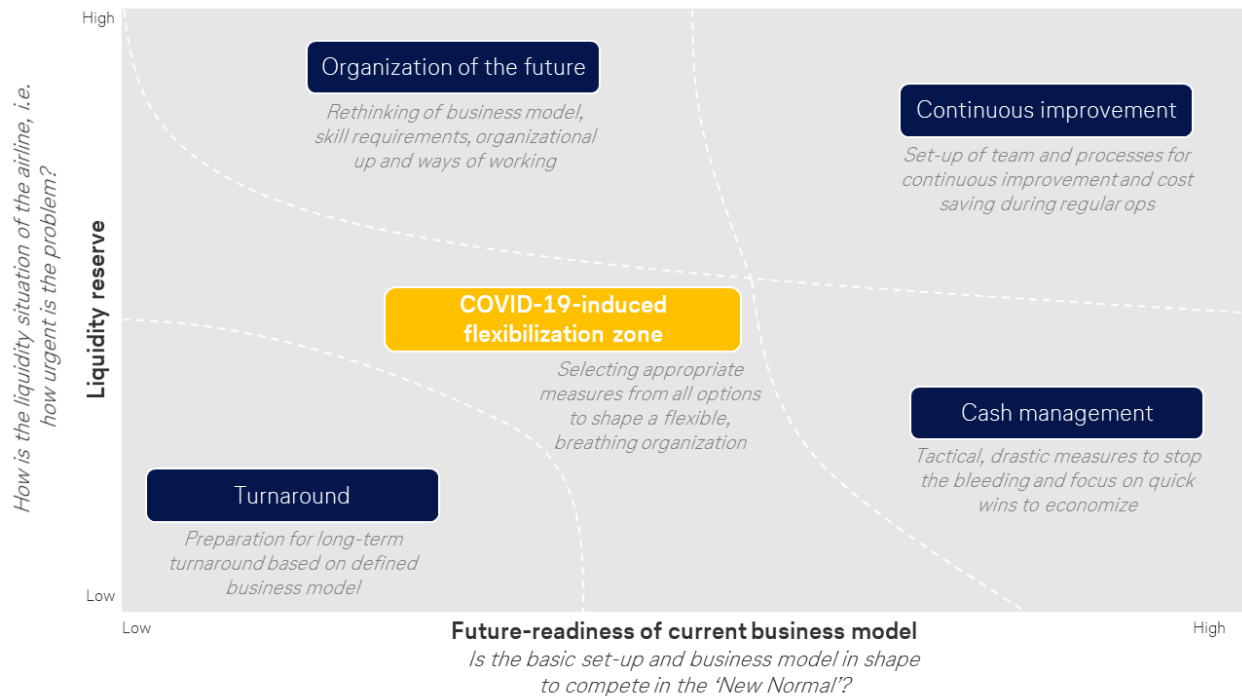


Figure 1 Areas of management focus for transformation (Source: Lufthansa Consulting)

This applies to airlines and airports to the same extent and requires in particular the creation of 'breathing space' to re-prioritize strategic and tactical focus topics (for both management attention and budget), project portfolio steering, process adaptation for changing requirements and flexible, appropriate resourcing. Risk management and structuring for resilience remain a top-priority, as the world and markets grapple with potential further waves of infection and governments' responses.

Flexibility wins – but how to get there?

Traditional approaches to transforming business models, organizations, and their finances are bound to be insufficient to address the uncertainties posed by COVID-19-induced dynamics in the medium-term. Lufthansa Consulting will take a detailed look at how to approach strategy, market, customer, and operations to shape organizations for optimum flexibility in the months to come. We build on our aviation consulting expertise to shed light on the most pressing issues in shaping flexible organizations along the entire aviation value chain.

Lufthansa Consulting's experts will publish in-depth articles on the COVID-19-induced flexibilization need in the weeks to come. These will be of interest to all stakeholders in aviation. If you are working for an airline, airport, ground handler, OEM, MRO, or an aviation authority, we invite you to follow our article series on shaping flexible organizations.