

The Endless Strike: Avianca and the 700 Angry Pilots

MANAGEMENT DECISION

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

The Challenge

Following the failed negotiations on the 26th of September, Avianca decided to retrieve their offers from the table and, by doing so, closed the dialogue with the Union. From then on, Avianca have made it clear that they would not cave to their pilots' demands and fight until the end. Or at least until the legal 60 days are up. Then, the big questions for Avianca's management are: how to manage the strike as well as ensure a minimum damage for the various stakeholders involved; and how can Avianca survive such situation in which negotiations are off the table and they are thus facing a wall.

As a first step leading to the managerial decision, we have decided to focus on understanding who are the stakeholders involved at the time of the strike and which ones are the most important, supportive and problematic.

Assessing the Stakeholders

In order to understand Avianca's management decisions, it is important to identify who are the different stakeholders of Avianca and assess their position in relation to the airline. This serves as ground work to fully grasp and frame the feasibility, success or failure of the managerial decisions which are explained below.

The important stakeholders, that is, the ones that have power over the organisation, are the pilots, the other non-unionised pilots and employees, the customers and general public, the government and the media. The striking pilots are considered **antagonistic stakeholders** because not only do they oppose the airline but they also are important because they have power and are influential. The other employees are considered **supporter stakeholders** because they are influential and support Avianca. The government is also a supporter stakeholder. When it comes to the media, customers and the general public they are more divided in their support of the airline even though a majority of them support Avianca against the striking pilots.

It can be argued that the situation is rather favourable to Avianca as a number of key stakeholder support the organisation. This is due to Avianca's strong reputation and leadership on the market, but also its likeability within the Colombian society. This can be seen in the matrix in **Exhibit 1**.

After having analysed the different stakeholders affected by the crisis, it then became possible to plan the strategic approach to respond to the strike that Avianca faced. The strategic approach to the strike included three strategic pillars, always placing the customer at the centre (See **Exhibit 2**).

Before looking into the managerial actions taken by Avianca, it is important to add a key piece of information. While the legal limit to strike is 60 days, the strike ended on the 51st day, making it the longest running strike in the history of commercial airline industry.

Knowing this, we can now explain and fully grasp the management decisions in order to overcome this strike situation for the remaining 44 days.

Managerial Decisions

Three strategic pillars with a customer-centric approach

1. Extreme contingency plan

The airline designed a contingency itinerary aimed at achieving the most efficient use of human and physical resources available. The main strategy was to be accountable to their customers and take responsibility for the failure of the operations. The company adopted different measures:

- The first measure was a waiver of penalty for flight changes which allowed passengers to change their flights without paying additional charges.
- The second measure was refunds for travellers who decided not to travel with the airline.
- Additionally, measures were taken at the airport to assist passengers who were affected by flight cancellations and delays and to allow them to have the endorsement of tickets with other airlines and rebooking on their flights.
- Also, they committed the human talent of the non-striking ODEAA Union and the rest of the employees to support the customer service areas that were put into place. The shifts of more than 200 administrative employees were reinforced in order for them to be available at contact points to respond to the needs of travellers. Additionally, the maintenance technician team was strengthened to service aircraft in the flight line.
- Finally, Avianca committed an interdisciplinary team to monitor the operations and the impact of the strike in order to adopt some additional measures to maintain a good level of service during the strike. The team decided that it was necessary to hire additional pilots. They introduced a formal demand to hire foreign pilots to the civil aviation authority and it was approved on October 3rd.

2. *Corporate communications*

As a strategic response to the issue, Avianca chose to adopt the **advocacy strategy** to respond to the strike. As it is an issue that threatens the airline, it was necessary to change the public opinion and the way that the different stakeholders viewed the strike. The primary model that Avianca used during the strike is the **public information model**. The airline used media relations to do that; these included press releases and press conferences. Their intention was to provide truthful information to journalists and editors so that, in turn, they would relay the information to their audience through their credible media outlets. Additionally, Avianca used social media campaigns to directly reach customers. In all of their corporate communications, the airline used framing as a way to shape the way the different stakeholders perceived the strike and Avianca's responsibility.

Avianca released several press releases on their website (See **Exhibit 3**). The press releases included clear and transparent messages showing their apparent collaboration with the government to solve the strike: *'Avianca wishes to thank the Minister of Labour, Janeth Restrepo, for her intervention to open spaces for cooperation that could lead to a favourable resolution of this negotiation'*. The press releases also included very detailed information about the pilots' demands and the figures of previous pay rises:

... the ACDAC's aspirations are exaggerated and detached from the economic reality of both the company and the country ... The union ignores the 11.75% salary increment granted by the airline last April to pilots, which is significantly higher than what any other company in the country has granted their employees.

The press releases also provided a lot of information about how the strike was evolving but always emphasising its illegal aspect. *'ACDAC remains firm on a cessation of activities that is clearly illegal'*. This was done in an attempt to put the blame on the pilots and to show to the different stakeholders that the airline was a victim of this strike. Until the end of the strike, the airline remained firm and did not change its position on the issue, always reiterating their disagreement with the extravagant demands of the striking pilots and not giving in to their requests. However, they still acknowledged the impact of the strike on the country and the population of Colombia and communicated their contingency plan, explained above, as their contribution to the betterment of a bad situation.

Additionally, as explained in the case, they created a social media campaign called #YoNoParo ('I don't strike') which included YouTube videos that featured Avianca

employees. This was done to show to the public and customers that the majority of employees were not striking and that they would continue to support and provide the best service to all customers. Once the situation was solved, Avianca used the same strategy and released a number of videos to thank their customers for their support. Besides featuring their employees, they used the videos to announce that they had replaced their logo in some of their planes with the word 'Gracias' (Thank you), to reinforce their gratitude to the public.

Regarding the communications with the media, the company permanently held press conferences to inform the public about the current situation and the strategies that were being implemented to control the strike. Avianca's management, including both the airline CEO and the president of Avianca Holdings, offered numerous interviews with the most influential media to explain their position regarding the pilots' requests. They also addressed the media and the public personally at the airport to show their commitment with their clients.

3. Leverage the financial and organisational strengths

During the strike, Avianca was able to leverage its strong financial position. The new CEO Hernan Rincón recently undertook a corporate reorganisation and developed a new strategic plan for 2020, called the Strategy North. Notably, the new financial, organisation and service strategies enabled to generate greater efficiencies in the flight operations as well as reinforced the financial model of the organisation. These strategies and the financial strength of Avianca was also possible due to the strong brand architecture of the overarching company, Avianca Holdings. As the parent company, Avianca Holdings enabled Avianca to survive in these tough financial times. Given the strong position of the holding company on the market and the diversification of activities, Avianca Holdings was able to incur the costs caused by the strike and support the company's battle against the Union. All of the above, allowed the airline to continue and persevere throughout the strike, serve their customers the best they could and not give up.

Managerial Decision Summary

The above strategies reflect the company's decision and actions. They were implemented over time as the strike continued endlessly. Estimated at approximately USD 1 million per day, the costs incurred by the company were substantial. The strike had more magnitude each day. The pressure from the different stakeholders on Avianca amplified as time went by. This can explain the drastic strategies used by the

company over the course of the strike. Looking back on the strike, the CEO of Avianca said that:

Avianca's successful strategy to address the ACDAC (minority pilots union) illegal strike underscored our ability to effectively mitigate the strike's impact on our customers and on our value proposition, maintaining the premium quality service for which we are known while protecting the financial integrity of the company, as well as working very hard towards our customers, centre of our strategy.

A summary of the decisions and actions taken by Avianca's management team can be found in **Exhibit 4**. This timeline provides an overview of the sequence of events throughout this endless strike.

Exhibit 1 Stakeholder Matrix

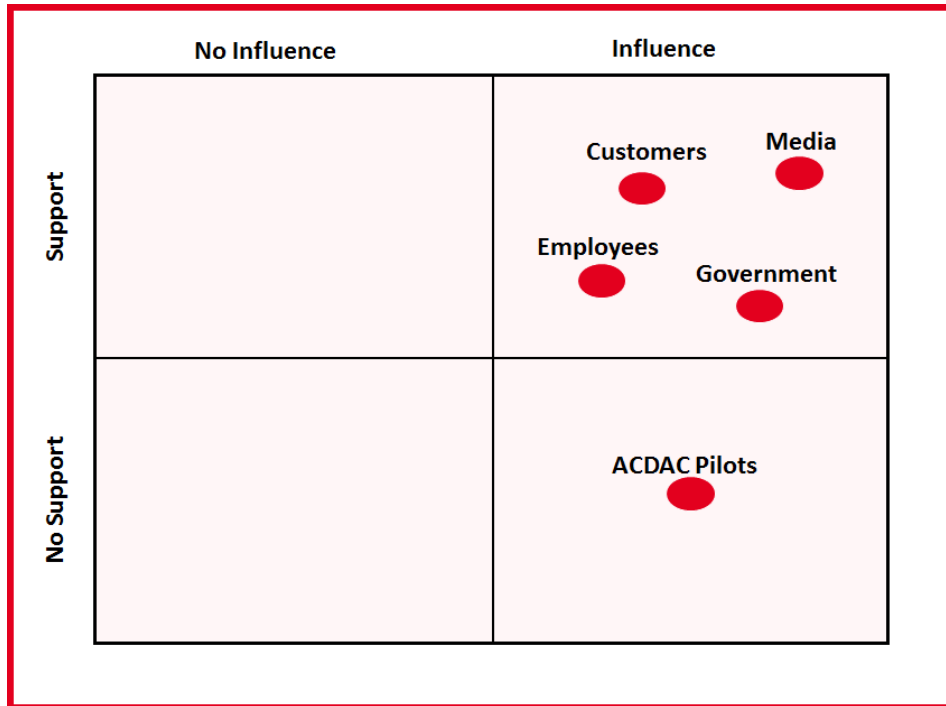


Exhibit 2 Three Strategic Pillars

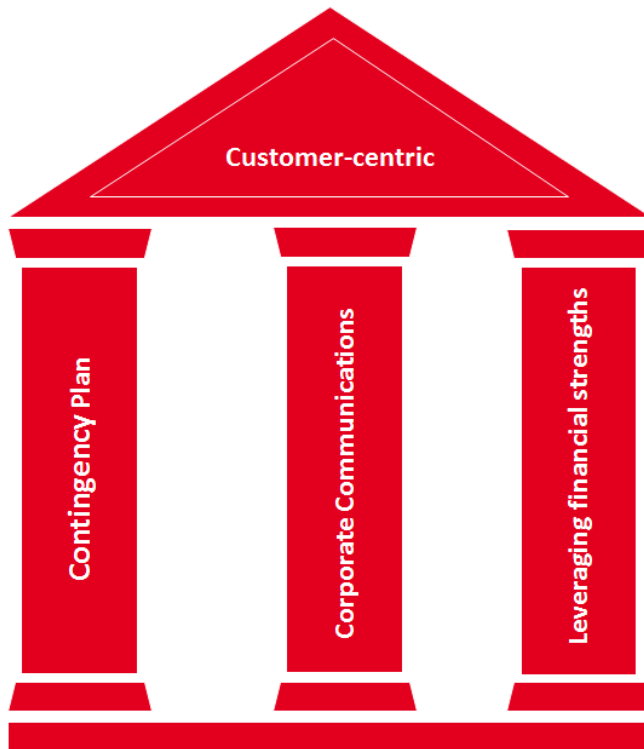


Exhibit 3 Example of Avianca's Press Release

Avianca rejects illegal strike called by ACDAC

Bogotá, September 15. Avianca categorically rejects the call for a strike made by the Colombian Civil Aviators Association (ACDAC), considered an illegal de facto action that affects clients, the country's connectivity and a measure to put pressure upon the company that does not reflect the feelings, or the interests, of Avianca's 22.000 employees and their families.

The right to strike is guaranteed by article 56 of the Colombian Constitution and Article 430 of the Substantive Labor Code, except for essential public services. On its part, Law 336 from 1996, in articles 5 and 68, qualifies transportation as an essential public service. Therefore, the strike called by ACDAD is illegal. However, should they follow through, the airline will take the corresponding disciplinary measures.

During the negotiations, Avianca presented more than 20 proposals to ACDAC leaders to improve the benefits received by Colombian pilots. It should be noted that the company reached an agreement with the Avianca Aviators Organization (ODEAA), an association that incorporates close to half of the airline's pilots, the benefits of which extend to 100% of all pilots, including, among other benefits, and salary increments as of April, 2017.

Likewise, during 2017, Avianca executed collective agreements with seven syndicates. However, there have been no agreements with the ACDAC since 2013, and the leaders of this association did not accept any of the proposals during the current negotiation process, unilaterally terminating the direct arrangement phase. They are now calling an illegal strike that affects the essential public service offered by the airline.

Avianca's priority is to provide a quality service, as well as to seek the feasibility and competitiveness of the company under the economic challenges of its environment. Faced with this situation, Avianca's team, always committed to service, designed action and mitigation plans to meet the needs of our passengers as best as possible.

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Exhibit 4 Timeline of Avianca’s managerial decisions

