

AMERICAN AIRLINES: BANKRUPT, LIKE EVERY OTHER LEGACY AIRLINE

DISCUSSION QUESTIONS

1. Why would American Airlines (AMR) wait so long to file Chapter 11, in spite of the fact that all its major competitors had already done so? What finally led company managers to file?
2. How does AMR's administrative heritage as one of the legacy airlines influence its ability to adapt to a changing organizational and industrial environment?
3. How does the fact that the current AMR CEO used to be the CFO of the organization and that the majority of the board of directors have ties to financial or investment companies influence AMR's strategy and how it is run?
4. How might AMR improve its relations with its unions? Describe the intended benefits and possible costs associated with actions to improve relations.
5. Describe AMR's business-level (competitive) strategy. What actions has the company taken to reinforce this strategy in recent years? Are they working?
6. Why is the airline industry divided in terms of customer service ratings? How have their strategic decisions up to this point resulted in being part of the group that has the lowest customer service scores? What is one recommendation you would make to improve their service?
7. Why has American increased their philanthropic activities in recent years? Should such a company with so many problems be involved in philanthropy or corporate social responsibility programs? Why or why not?
- 8a. Are the multi-airline industry alliances such as Star Alliance good for customers? Why? Are they good for the companies involved in them? Why? Do you think average airline profits are likely to be higher or lower in the future because of the alliances?
- 8b. How do you think the alliance structure can help airlines leverage relationships with both airplane manufacturers and suppliers of IT equipment that are essential for making their business run smoothly?
9. How can AMR reduce customer price sensitivity to their airline tickets? Do you think appealing to business travelers would help reduce price sensitivity? Why or why not? How would you think reducing price sensitivity would help their business model become more sustainable?