Determinants Of Organizational Survival During The Covid -19 Crisis: The Case Of The Airline Industry In Thailand

Nisara Paethrangsi
College of Hospitality Industry Management, Suan Sunandha Rajabhat University, Thailand, Email; nisara.pa@ssru.ac.th
ORCID ID: orcid.org/0000-0003-1145-8212

Paphapat Vongprakong
Thai Flight Training Co., Ltd., Thailand
paphapat.vo@tfi.co.th

Sirin Iemsam-arng
Nok Airlines Public Co., Ltd., Thailand
sirin.iem@nokair.com

Thanarerk Thanakijsombat
Mahidol University International College, Thailand
thanarerk.tha@mahidol.edu

ABSTRACT
The coronavirus (COVID-19) pandemic has negatively and massively impacted the global airline industry. In Thailand, the number of new infection cases has been on the rise. The government measures such as social distancing, local and national lock down, and flights ban forced the airlines to ground their entire fleets. This effect has sped up economic recession and crisis of the Thai airline industry. This paper aims: (1) to identify significant organizational survival factors of the airline companies in Thailand; (2) to develop a model of organizational survival during the COVID-19 crisis. The research employed mixed methods mainly a survey, supplemented by an in-depth interview for robustness. The sample comprised 400 airline personnel from the management team, operational staffs, regulators, and relevant firm employees for the survey and nine key informants for the interview. the survey data were used to develop an organizational survival model based on the structural equation model. Key findings and analyses revealed that the external factors including the regulations and directives from government, domestic economic drivers, and route and network were significant factors contributed to the survival of the airline companices. In addition, an appropriate intervention was found to be a key operational and management factor for survival. Lastly, an effective marketing strategy could act as proactive tool to help achieve the survival goal during the crisis. The survival organization model during the COVID-19 crisis consumes four indicators, which included customer relation management, profit earning, internal control and evaluation.

Keywords: Successful factors, Survival organization, Airline industry

INTRODUCTION
The significance and the roles of low-cost airlines in Thailand

The low-cost airline industry in Thailand is very competitive and dynamic. The ability to precisely forecast future market conditions help low-cost airlines achieve organizational and profitability goals, efficiently allocate resources, and timely adjust services to harmonize customer needs (Misetic, 2007). There are various factors that intensify the competition within the industry. Some airlines inevitably face many business challenges such as the price war (Charernnit&Kankaew, 2020). Added to the challenges are the rising cost of differentiation and the restrictions on airports and routes (Suwannakul&Vongsaroj, 2019). The rise of the low-cost airlines in Thailand began in 2003 when the country position was a leading aviation hub in Asia. There are 679 registered aircraft in Thailand, with 165 million passengers on both domestic and international routes, divided into 89 million international passengers and 76 million domestic passengers per year, taking approximately 1.43 million flights along 67 domestic and 382 international routes (Civil Aviation Authority of Thailand, 2019). The aviation industry include not only airlines, but also airport operators, restaurants and retails at airports, aircraft manufacturers, and air navigation service providers, employing 172,000 people in Thailand. Additionally, airlines bring foreign tourists to Thailand whereas an estimated additional 3.6 million jobs are created as a result of the spending by the foreigners. These activities are supported by air transport and tourists arriving by air. (IATA, 2020).
RESEARCH OBJECTIVES
The objectives of this research are; (1) to identify suitable successful factors for survival organizations in the airline in Thailand; (2) to develop a model of survival for Thai low-cost airlines during the COVID-19 crisis.

LITERATURE REVIEW
The airline industry in Thailand has been in crisis for many years. The crisis deepened when key low-cost airlines try to steal market share by dropping the prices in popular routes to guarantee revenue (Bangkokpost, 2019) the airlines’ price war is severe. Most of the airlines in Thailand could not make a profit, including Thai Lion Air (TLA), which has declared continuous losses for five years. In 2016, Thai Airways gained a profit of 6,753.6 million baht. This was however not the case in 2018, with the loss of 11,625 million baht. Similarly, Thai Air Asia in 2016, claimed a profit of 1,869 million baht, but earned only 70 million baht in 2018. Nok Airlines, in 2018, declared the loss of 2,786 million baht. The main reason for the heavy losses was because of the price war as the penetration pricing leadership strategy, resulted in the unsustainability in profit (Lawton, 2003; Marketeer, 2019).

Covid-19 impacts on the airline industry
ICAO forecasts for 2020 showed that the overall number of seats of airlines worldwide decreased by 51%, the number of passengers decreased from 2.891 to 2.894 million people and the market shranked by $391 billion. The number of passengers, both domestic and international flights decreased by 60% (see figure 1).

Figure 1: Global passenger air traffic crisis from 1945 to 2020

Source: ICAO, 2021

In Thailand, the number of passengers in the first half of 2020 was 33.86 million, a 59.5% decrease from the previous year. East Asia countries such as China, South Korea and Japan have imposed restrictions on traveling in and out of the country, causing airlines to reduce international flights. And in March 2020, the pandemic intensified, causing many countries to impose restrictions on international traveling in addition to stricter international passenger screening measures. In 2020, the number of international passengers dropped 99.4%, and 90.2%, because of the severe spread of the coronavirus pandemic worldwide (see figure 2).

Figure 2: Overall air transport statistics of Thailand (number of passengers in 2020)
Customer relation management
The four core elements of a marketing strategy create customer satisfaction are product, price, place and promotion, to (Paethrangsi, 2021). However, price reduction and costly marketing promotion activities are ineffective in the long run. The quality of the product and the core service alone also cannot be a unique strength that an airline would use to create a competitive advantage due to the product and service heterogeneity nature in the industry. Customers constantly look for differences in value-added products and services (Yuttapong, 2016; Step Academy, 2017). Therefore, it is imperative that businesses must engage customers in order to attract them to stay with the organization.

Airline management
Leadership is important in increasing work performance. The administrator’s vision and experiences influence the organization’s adaptive responses regarding technology and performance. Employee perceptions of the management team support, job satisfaction, and knowledge sharing influence the success of organization (Simpson, 2018; Kankaew, 2020, Kang et al., 2015). The key success factors of airlines are the management team’s vision and commitment, staff integrity and ethics (Saowalak & Nisakorn, 2016). One of the key performance indicators of transport business is continuously tenable monitor (Tomovic, 2020).

Airline profit and operations
Financial incentives and cost and revenue management affect the profit of businesses. Businesses that lack access to capital will be less profitable (Kulesza, 2019; Bo et al., 2017; Lucha et al., 2016). The key drivers for airlines industry comprise product and organizational structure, low unit cost structure, strong schedule with outstanding punctuality, synergistic and effective cooperation with the hub airport, and positive external factors such as the growth of the national economy and the low rate of taxation (J.F. O’Connell et al., 2020).

RESEARCH METHOD
This research employed the mixed-method research approach with the combination of quantitative and qualitative research techniques. In the quantitative part, we constructed the sample of 400 respondents who were executives, experts and employees in organizations related to the Thai airline industry. The sample size was calculated as the 20 times of the number of empirical variables of 20. Researchers drew a sample of 400 people using a stratified method. Data were collected with questionnaires and were analyzed using a structural equation modeling, confirmed with qualitative research results from in-depth interviews with nine key informants including executives, managerial level employees in airlines, and regulatory agencies.

RESULTS
The determinants for organizational survival during the Covid-19 crisis in the context of the airline industry in Thailand can be categorized into external, operational, management, and marketing strategy factors as shown in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>Opinion level</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>External factor (EXFC)</td>
<td>4.26</td>
<td>0.565</td>
<td>Strongly agree</td>
<td>1</td>
</tr>
<tr>
<td>The success of survived organization (ALCM)</td>
<td>4.20</td>
<td>0.611</td>
<td>Agree</td>
<td>2</td>
</tr>
<tr>
<td>Operations (INFC)</td>
<td>4.18</td>
<td>0.622</td>
<td>Agree</td>
<td>3</td>
</tr>
<tr>
<td>Management (MNLD)</td>
<td>4.16</td>
<td>0.651</td>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>Marketing strategy (MKST)</td>
<td>4.12</td>
<td>0.566</td>
<td>Agree</td>
<td>5</td>
</tr>
</tbody>
</table>
Table 1: Mean, S.D., and opinion level of factors for organizational survival

Table 1 illustrates the greatest impact factor for the survival of Thai airlines, which is the external factor (EXFC) with the average of 4.26 and the standard deviation of 0.565. The key indicators for this factor are 1) regulations and directives from government (4.28), 2) domestic economic drivers (4.26), 3) routes and networks (4.26), and 4) other competitors (4.24).

The success of survival organization is also significant with mean of 4.20 and the standard deviation of 0.611. The indicators for this factor are customer relation management (4.24), profit earning (4.21) internal control (4.20), and evaluation (4.17).

For the operational ability, it is significant with the mean of 4.18 and the standard deviation of 0.622. The most significant indicators in operations ability are communication workflows (4.23), cost control (4.20), technology using (4.19), and staff training (4.09).

The management ability is significant with the mean of 4.16 and the standard deviation of 0.65. The greatest significant indicator in management is customer oriented (4.21). The management team’s commitment and involvement (4.19), employee compensation and morale (4.15), and organization structure (4.08) are also significant.

Figure 3: the relation and influence of the external factors, internal operations, management, and marketing strategy affect the survival organization in Thailand during the COVID-19 crisis.

Figure 3 illustrates the relation and influence of external factors, internal operations, management, and marketing strategy on the survival of the airlines in Thailand during the COVID-19 crisis. The results from the data analysis reveal that the relationships of the factors in the proposed model are significant as key statistical criteria are met (x2/df=1.21, GFI=0.99, AGFI=0.95, CFI=1.00, SRMR=0.012, RMSE=0.020).

Figure 4: The model for the survival of airlines during the COVID-19 crisis.
DISCUSSION AND CONCLUSIONS
As all the airlines in Thai airline industry are facing financial and operational difficulties, this research proposes key factors for the survival during the COVID-19 crisis. All significant factors can be respectively sorted: 1) External Factors (EXFC) = 0.99, 2) Internal operations (INFC) = 0.99, 3) Management (MNLD) = 0.98, and 4) Marketing Strategy (MKST) = 0.28 at 99% significance level. The criteria of rules and government directives (RGAT) in the external factor is the highest significance (4.28). As current day’s condition, the airlines cannot long survive without the government support such as low-interest loans, fee reducing, temporary tax relief and rebates, and wages subsidies, since it directly links with the airline revenue.

REFERENCES

www.turkjphysiotherrehabil.org
• Kang et al. (2015). The impact of supervisory support on organizational commitment, career satisfaction, and turnover intention for hospitality frontline employees. *Journal of Human Resources in Hospitality & Tourism*, 14, 68-89


