

Workplace culture and its impact on organizational efficiency

LEVEL 5 TERM 2 GROUP 1 BA LEADERSHIP AND MANAGEMENT
BMSW5105



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EASYJET |

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Executive Summary

In this report I will analyse the low-cost company EasyJet, I must investigate its history, and I will examine the company further using pestle analysis and Porter's 5 forces, I will investigate its organizational structure, company culture and ethic. To finalize I provide my recommendations and conclusions.

Introduction

This 21st century is marked by globalization, our society is interconnected, Flying has become a privilege available to everyone due to the great technological advance in the aviation sector.

Thanks to these technological advances together with the developments in the field of digitization, they have meant that companies dedicated to air transport have been able to reduce the cost of aircraft development and that anyone has access, in addition to these improvements allowing the improvement of the company structure.

It is at this time when low-cost companies appear, taking advantage of the freeing of airspace. Companies that intend to provide a service at the lowest possible cost face a multitude of problems related to new regulations, the price of fuel or the trends of society in terms of the proliferation of environmental awareness.

I intend to give an answer in this work to the viability that EasyJet has in this very competitive market and how it can survive selling tickets at such a low price.

First of all, I will talk about the beginnings of the company, its founder and how he was able to start such a big project from the beginning. We will analyse the company using Porter's 5 forces where we will see how it is affected by the bargaining power of customers, the bargaining power of suppliers, the threat of new competitors, the threat of substitute products and we will analyse the rivalry between competitors.

I will use the Pestel analysis to analyse the Political, Economic, social, technological, environmental, and legal situation.

To finish, I will give some recommendations aimed at improving the company and I will present my general conclusion about EasyJet.

Background of the company



Easy jet is an international company in the aviation sector with a low-cost ideology based in London Luton. The company was created by Sir Stelios Haji-Ioannou at the age of 31 in 1995.

Stelios learned a lot from his father, as he taught him a lot about the family boating business, and he was able to gain a lot of knowledge working for his father. At the age of 25 Sir Stelios has got his own shipping company called STELMAR.

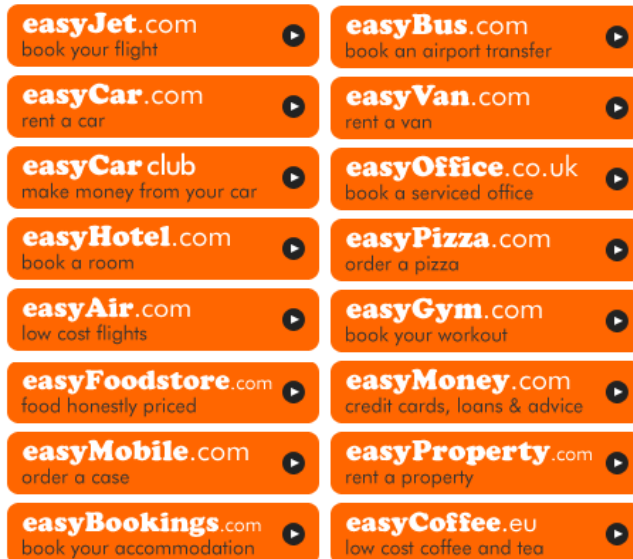
The idea for the airline company was devised when he made a visit to the United States and visited the first low-cost company Southwest Airlines, his father is a billionaire in the sector. shipping company and lent him the money to get started.

Stelios wanted to put the name STELAIR for the company but, writing ideas on a napkin in a Pub in London he concludes to today's known name EASY, because is cheap and accessible for everyone.

The company started with leased aircraft and personnel, until 1996 it was unable to purchase its first aircraft.

EasyJet is currently owned by EasyJet Holdings Limited, and the largest shareholder is Sir Stelios Haji-Ioannou and is domiciled in the tax haven of the Island of Jersey. The company has more than 160 routes throughout Europe, avoiding travel agencies to lower costs, although tickets can be purchased online or by phone.

Continuing with the low-cost policy, the company subcontracts a large part of its services to other companies. One notable difference from its low-cost competition is that the company flies to major European airports.



Easy Jet was the first airline in the world to introduce the Easy Kiosk on board which tries to offer passengers the possibility to buy food and beverages on board as well as other products.

EasyJet, created by a Greek shipping millionaire, is hoping to make flying within Britain ``as affordable as a pair of jeans". And next year it plans to introduce similar low prices on many of Europe's most expensive air routes. November 9, 1995, | Times, The (London, England)

Author/By-line: Harvey Elliott

In April 2006 Sir Stelios Haji-Ioannou received a Knighthood from Queen Elizabeth II for services to entrepreneurship.



Culture organization and structure

The structure of the company would be functional organizational, in this structure all the strategies that are clearly specified are implemented to reach the maximum level in terms of benefits and customer satisfaction.

The company production departments are divided according to their objectives, in this way the staff is separated by their knowledge, providing each department with the necessary professionals according to the needs. In this way, each department is specialized to the highest level required. The use of this way of working has meant that the information and communication technology department can carry out all the work online, maximizing benefits while meeting customer expectations.

This type of Organization has given the possibility of using electronic marketing that is associated with an increase in profitability.

The way of working favours communication since those responsible for each section communicate directly with the executive director, there is a well-defined hierarchy. Ultimately there is the office of the principal who is the person responsible in a crisis.

The company's culture is clearly inclusive, they seek employees to improve themselves by offering them the chance to grow, they demand that customer needs be met and at the same time that each employee meets their job expectations.

The company promotes an optimal work environment among employees, staff are encouraged to be innovative and seek the best customer and work experiences.

Despite the existence of a department, there is no commitment to a strict hierarchy, but rather to form a team so that all employees feel that they are part of the company and its ideals.

The company gives workers the freedom to interact and try to do the job in the most pleasant way possible as long as the required objectives are met.

There is a maximum specialization of the departments since they focus solely on their objectives and the professionals are in the same department, it is possible to increase the efficiency and productivity of each worker.

At the same time, specialization facilitates the technical supervision of each area, and communication within each team is favoured without the need for intermediaries.

By working as a team, the pressure is diluted in the group, it is very easy to delegate and share responsibilities.

On the contrary, clashes may arise since it is not clear who is the most responsible within the team.

When there is a multiple subordination, confusion and multiplicity of objectives can appear. Rivalry between professionals also tends to appear, altering the dynamics of work.

Pestle analysis

A PESTEL analysis is a strategy chart that is often used to measure the business environment in which a company operates. Traditionally it was called PEST analysis, which was an acronym for Political, Economic, Social and Technological; it was expanded to also include environmental and legal factors.

Political

- Brexit is a big problem for the company since the United Kingdom is no longer part of the European economic community and having a greater participation in the United Kingdom will need plans to achieve the viability of the company.
- It is very important to consider the policies of the places where the company performs services since it is essential to adapt to the regulations of the local government.
- The policy of a country is essential for the company to evolve, closely monitoring possible changes in leaders or changes in policies can make the company prevent itself with emergency plans.
- Changes in regulatory practices in the United Kingdom and other emerging economies that directly affect Airlines.
- The strikes caused in France by the changes in pensions have directly affected the company.
- EasyJet needs to get involved in the community as it puts a lot of pressure on the government, and this can lead to policy changes.

Economic

- The Covid19 pandemic negatively affected EasyJet since at the beginning of the measures it had to leave its entire fleet on the ground.
- The increase in the price of fuel, which is fundamental, caused the company to have significant losses.
- EasyJet can use the current infrastructure to increase development in the area of transport in the UK.
- The company can invest in regions that are out of reach due to the deregulation of the UK commercial police.
- The continuous increases in inequality in society will negatively affect the company.
- The increase in inflation at the European level due to the war in Russia and Ukraine will have serious consequences.

Social:

- Even though the sector has historically been governed by men, the company supports women pilots joining forces and encouraging girls to pursue this career.
- You are considered to have bad customer service because of your no return policy.

- The company is very present in the digital field to improve the customer experience and options. In addition to facilitating the virtual use of services.
- EasyJet maintains an alert attitude in health and safety.
- The loss of the middle class due to inequality is causing a change in the power structure.
- The educational level in the United Kingdom is high, so it can be used to increase the presence in the country.
- The company must take advantage of the fact that the United Kingdom is a young and growing country.
- The constant increase of social networks is a great tool for the company.

Technology:

- EasyJet introduced an app for people with visual impairments to compare flights with just a voice function.
- The company has developed drones that can inspect planes in hours instead of days that it took to do it manually, as well as being more precise.
- Technology is causing production and maintenance costs to be reduced.

- It is essential for EasyJet that the UK provide the highest level of security in terms of intellectual property and patent protection, this will cause more investment in research and development.
- 5G and the possibility of using the Internet during the flight can affect positively the company exponentially.

Environmental:

- EasyJet wants to reduce the use of paper to 0, it works actively with other companies to carry out its objectives.
- The company intends to minimize its carbon emissions by 50% to be in line with the new policies of the European Union and the United Kingdom.
- In addition to carbon, the company aims to reduce the use of plastic and other pollutants in its supply chain.
- The company is aligned with society's growing environmental awareness.
- Renewable technology is very interesting, plus the UK offers investment subsidies.
- Climate change, which is becoming more extreme, also affects the cost of services and forces the company to invest in order to be more flexible.

Legal:

- In 2020 EasyJet suffered a cyberattack in which 9 million people were affected.
- In 2020 members of senior management were accused of corruption for accepting bribes.
- It is essential for the company to know the execution time of the courts regarding commercial cases before entering an international market.
- The company must continually be aware of UK trade laws as well as current health and safety regulations and employment law.

Porter Five Forces

Porter's five forces analysis (Michael Eugene Porter, 1979) is useful to know if a sector is valuable for a company from the 5 forces.

EasyJet is a well-adjusted company in its environment, with this analysis it will be possible to know the suitability of the company to try to grow in the market.

Porter's Five Forces are: Bargaining power of customers or buyers, Bargaining power of suppliers or sellers, Threat of new entrants, Threat of substitute products, and Rivalry among competitors.

■ **Bargaining power of customers or buyers:**

The client has great bargaining power since the price of the tickets is cheap, in addition to the fact that in Europe there are already other lines

with the same characteristics and that are constantly competing such as Vueling and Ryanair.

Currently, EasyJet is increasing its number of passengers and routes, which is why it is becoming more competitive and thus reduces the bargaining power of travellers. In some cities in the United Kingdom, they are the only alternative, so the client does not have no choice but to fly on this company.

EasyJet has clear policies that cannot be broken, such as non-return or baggage limitation, so the customer has to assume them, even so, passengers continue to increase. In this way, the number of travellers is so huge that the client must accept all the terms, thus diminishing their bargaining power.

■ **Bargaining power of suppliers:**

Aircraft manufacturers are the main suppliers. Historically, the bargaining power of these manufacturers was very high since only two companies flooded the world market: Boeing and Airbus. Currently these two companies have no strength since they are economically fragile, in addition to having made wrong decisions in their strategy and production, which is why their power has diminished.

I should also add that Airbus has faced a crisis because the production of its new A-380 model was a failure. And the other company, Boeing, is also in a financially delicate moment since in 2019 an error was revealed in its new B737 plane that suffered two accidents. With all this, add that and try new competitors, Embraer or Bombardier, which reduces the bargaining power of these suppliers.

EasyJet has a good bargaining position with Airbus, which is its main supplier. With better conditions it could reduce costs.

As a counterpoint, it would be to note that contracts with supplier companies are long-term and money is required to advance as insurance, which limits bargaining power if there is a signed contract.

■ Threat of new entrants:

There is already high market competition because there are many low-cost companies in Europe.

One of the great challenges faced by a new company that wants to make its way in the world of aviation and more specifically in low-cost companies would be the large amount of money that must be contributed to start the project, in this way it is useful barrier to new entrants. Also add that the companies that already exist in the market have become very strong, such as EasyJet, which cover a large number of passengers and billing is very high, competition with these giants would be almost impossible for a new company.

On the other hand, there is a way in which new competitors can appear without the need to be new since many traditional flight companies are adapting to the strong demand of the low-cost market and, although for the moment it does not present strong competition, measures would have to be taken in the future, for the moment it would not be necessary to adjust the business model.

Other competitors that are appearing in the market would be the holiday operators that adjust the prices and look for the best way to offer a complete low-cost package that is a competition.

Faced with this situation, EasyJet would be forced to make changes in its form of business to improve against the low-cost airlines that already exist.

■ Threat of substitute products:

Possible substitutes for the services offered by EasyJet would be rail, sea transport and road transport.

The road is a means that requires a lot of time and access is also very limited. As for the sea, something similar happens since it requires a lot of time and the destinations are very specific, in addition to demanding specific travel conditions. In this analysis, we see that neither the road nor the sea are in direct competition with EasyJet, but on the other hand, transport by rail can be a challenge since more and more high-speed trains are appearing, which means that time is no longer in favor of the airline, if we take into account, the time before taking off and the flight is similar to what it would take to make the journey by train, adding that the train is more comfortable in terms of space and there is usually no problem with luggage.

Add that the growing awareness for the environment means that less polluting means are chosen, in this case the train is the best option. This threat is growing as the company's potential customers will demand environmental measures and the company will have to adapt and be more ecological.

In closing, EasyJet will need to modernize to the good generations who place a high value on climate awareness and prevent them from going bandwagon. Currently the company is in third place in pollution in Europe.

■ Rivalry between competitors:

44% of the company's income comes from the United Kingdom, being in this country the best low-cost company, in Southern Europe its income amounts to 31% and Northern Europe 22%. With these percentages it is determined that the volume of income in this sector is very distributed.

The fierce competition is due to the fact that companies are continually changing their strategy, copying each other to improve others, incessantly modulating their business model to become the cheapest airline and improve their profits.

So, the rivalry between the competitors is clearly seen since they have similar products, and they usually have the same destinations. Add that there is a high cost to leave the sector, it is a mature market and where large companies have been in full competition for a long time.

Recommendations

A low-cost company like EasyJet has associated in its business model the reduction of everything that could mean an increase in the final price of the tickets, since it is its biggest claim against its competitors. In this way it is difficult to offer recommendations and not be reflected in their products.

First of all, my recommendation is that you invest in new technologies that cause your product to become more ecological, very useful due to the great environmental problem that surrounds us, new technologies will be able to reduce the impact on the environment and the company will be able to maintain its strategy of low cost, being even more attractive to customers looking for a more environmentally friendly means of transport.

Although it has a strategy adapted to the market, it could suggest that its model be improved by adjusting to the new trends of customers who, due to the successive crises caused by the covid pandemic and the increase in inflation due to the war, have reduced their ability to travel.

Another measure to take into account would be to enter a new market, adapting your service so that it becomes a new product, imitating in a certain way the packages offered by your competition in the tourism sector, perhaps your position in the market will could offer the possibility of succeeding in this new market.

I have to recommend that the company increase its presence in terms of the community, since it is a company that opens its market to a type of clientele that seeks to travel at low cost, it is evident that it should be a pillar of the community, the company could offer travel packages to disadvantaged groups or even promote campaigns to support relevant social causes that are consistent with the ethical values of the company.

To finish with my recommendations, I would have to mention that although the company values its employees, there is no better way to thank them for their work than by offering better salaries and shifts that accommodate the more efficient family life they are doing up to now, the company could create a family assistance program in which they offer childcare services or loans to their employees.

Conclusion

As I have discussed at work, EasyJet is facing many obstacles such as the economic downturn, Brexit, increased inflation caused by the war and possible legal changes. All of these issues could negatively affect and reduce demand. They are forgetting the continuous change in the price of fuel and the pressure that competitors exert each time.

EasyJet's low-cost models are essential to maintain the company's viability, being able to earn extra profits with complementary services.

So to conclude I can say that EasyJet maintains a direct and proactive strategy, fighting in a very competitive sector and in a changing environment. Maintaining price competition, favourable contracts and optimal adaptation to the market, adding continuous innovation in searches to minimize prices, the company would maintain a path towards leadership.

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