

LEVEL 7 ASSESSMENT SPECIFICATION

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Assignment Title:	Individual Presentation	Word count (or equivalent):	8-10 Minutes
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Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty <u>mark</u>. Work which is submitted up to 1 week late will be capped at 50% for the first attempt and will be awarded a mark of 0% for re-assessment. Late submission penalties may be lifted only if there is an approved extenuating circumstances claim. Work submitted more than 1 week late will be considered as a non-submission and will not be marked. The work may be considered as a submission for reassessment if offered by an Examining Board or if there is an approved extenuating circumstances claim.		
Academic honesty / referencing:	Academic honesty is required. In the main body of your submission you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

HKBM7015 CHANGE AND STABILITY MANAGEMENT INDIVIDUAL PRESENTATION

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CONTENT

1. Introduction – Cathay Pacific
2. Key components and forces driving the need for change from innovative
3. Factors that favour and hinder the change
4. Insights
5. Summary
6. Reference



I. INTRODUCTION - CATHAY PACIFIC AIRWAYS LIMITED

Background of Cathay Pacific Airways Limited



- founded in 1946
- A leading international airline operating over 190 destinations worldwide
- Known for premium service

Challenges faced over the past five years (COVID-19 pandemic)

- Reduced air travel demand
- Staff protest
- Legal Regulation (Quarantine requirements) Passenger numbers were down by 85% in 2021 (AFP, 2022)
- Record losses
- Intense competition from regional and low-cost carriers
- Starting to operate Boeing fleet

Lead to....

- Pressured financial performance
- Operational flexibility
- Restructure (Cost-cutting)



I. INTRODUCTION - CATHAY PACIFIC AIRWAYS LIMITED



	2023	2022	2021	2020	2019
	HK\$M				
Revenue	94,485	51,036	45,587	46,934	106,973
Operating expenses	(81,486)	(47,565)	(46,037)	(58,639)	(103,646)
Passenger services	61,437	14,333	4,357	11,950	73,985
Cargo services	25,606	30,554	35,814	27,890	23,810
Profit/(Loss) before taxation	10,858	(6,115)	(6,057)	(22,321)	2,145
Profit/(Loss) for the year	9,790	(6,622)	(5,526)	(21,647)	1,691

Resource: Cathay Pacific Airways Limited Annual Report 2023

Pros:

- Strong Recovery in 2023
- Cost Management
- Resilience during crisis
- Strategic Restructuring
- Market Position

Cons:

- Pandemic Impact
- Sustained Losses
- Dependence on Hong Kong Hub
- Competitive Pressure
- Debt and Liquidity Concerns

2.1 KEY COMPONENTS AND FORCES (INTERNAL FORCES)

Internal Forces	(1) Financial Pressures	(2) Operational Inefficiencies	(3) Employees
Impact	Sustained losses from 2020 to 2022 with burning HK\$22 million at its peak	High operating costs and aging fleet	Overstaffing relative to reduced operations led to financial strain.
Response	Implemented restructuring programs (Cost reductions, fleet modernization, capital-raising initiatives)	Retiring older aircraft, focusing on fuel-efficient models - Boeing aircraft	Laid off 8,500 employees (24% of its workforce) and renegotiated labor contracts with pilots and cabin crews.
Source: Cathay Pacific (2020) ; Jay S (2019)			

2.2 KEY COMPONENTS AND FORCES (EXTERNAL FORCES)

External Forces	(1) COVID-19 Pandemic	(2) Hong Kong's Political Regulatory Environment	(3) Intense Competition
Impact	Global collapse in air travel demand Leading to a sharp decline in revenue	Political unrest in 2019 and strict COVID-19 policies in Hong Kong (Prolonged quarantine requirements)	Regional and low-cost carriers gained market
Response	Cost-cutting measures (Fleet grounding, workforce reductions, restructuring)	Reduced passenger traffic and shifting market dynamics Focusing on cargo operations to offset losses.	Streamline operations, optimize routes, and enhance service quality

Source: AFP (2022); Cathay Pacific (2020); Luo W (2020)

3.1 FACTORS THAT FAVOUR THE CHANGE

The employee strike at Cathay Pacific in 2022 was a significant event driven by underlying tensions between the airline and its workforce.

3.1.1 Employee Dissatisfaction

3.1.2 Union Support

3.1.3 Public Sympathy

3.1.4 Media Attention

3.1.5 Operational Disruption

- Dissolved the union
- Terminate employees with high-salary
- Rehire employees with lower salaries
- ✓ Reduce costs
- ✓ Adapt to market changes



Source: Bloomberg

3.2 FACTORS THAT HINDER THE CHANGE

3.2.1 Financial Constraints

3.2.2 Management Resistance

3.2.3 Regulatory Environment

3.2.4 Competitive Pressures

3.2.5 Internal Divisions



INSIGHTS

Over the past five years, Cathay Pacific has undergone significant restructuring to recover from the crisis of the 2019 Hong Kong protests and the COVID-19 pandemic, which severely impacted global aviation.

I. Implement reduced cost measures

Cathay faced pressure from the Hong Kong government (A major shareholder after the HK\$39 billion bailout in 2020)

- Restructuring & Labour Relations: Dismissed the Staff Association
- Cathay Pacific Airways Flight Attendants Union (FAU)
- Hong Kong Aircrew Officers Association (HKAOA)
- Dismissed staffs' who were involved in protests and effectively dismantled the traditional staff associations, replacing them with a more management-aligned structure



INSIGHTS

2. Cost Restructuring: Lower Salary Expenses

Cathay faced huge financial losses (HK\$33.7 billion in 2020-2021) and had to repay government loans early by the end of 2023

- ☐ Laid off around 8,500 employees during 2020-2021
- ☐ Replaced them with new hires on lower salary packages
- ☐ Introduced “Fresh Start” contracts during 2022-2023
- ☐ Expanded overseas recruitment (e.g., Mainland China, Malaysia)
- ☐ Training programs were streamlined to fast-track new hires



SUMMARY

Cathay's restructuring has transformed it from a union-influenced, high-cost legacy carrier into a more cost-efficient, management-driven airline. It has improved financial stability by returning profit in 2023.

Pros: Faster recovery, lower operating costs, better alignment with shareholder expectations

Cons: Decrement of employee trust, loss of experienced staff, potential long-term impacts on service quality

Next challenge -> Rebuild its brand reputation while maintaining new cost-efficient model



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