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The exceptional performance strategies of Emirate Airlines

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Abstract

Purpose – The purpose of this paper is to investigate the strategies and competitive advantages of Emirate Airlines that have led to exceptional performance while the overall airline industry globally has faced multibillion-dollar losses in 2009.

Design/methodology/approach – The authors' professional experience, extensive literature review, and personal communications with selected personnel of Emirate Airlines on the subject provided the foundation for this research.

Findings – As the global business environment becomes increasingly competitive, the airline industry has also had to respond to the current business scenario, while facing devastating falling demands, shattered consumer confidence, and collapsing yields. However, in 2009, Emirate Airlines reported phenomenal growth and astounding profits while their rivals faced agonizing losses. This paper explores and examines the competitive advantage of Emirate Airlines. The major finding is that the formulation and implementation of appropriate strategies has led to the exceptional performance, profitability, and success of Emirate Airlines.

Practical implications – The competitive strategies – such as operational strategies, generic strategies, intensive strategies, and diversification strategies – can be helpful for firms to gain a competitive advantage over their rivals. Also, the ability to leverage, innovate, and pioneer new ideas, as well as a visionary management team, are essential for exceptional performance of an organization.

Originality/value – The paper provides a model for strategically managing the performance of an aspiring firm, even though the entire industry is facing distressing circumstances.

Keywords Airlines, Competitive strategy, Competitive advantage, Emirate Airlines, Exceptional performance strategies, Focused product differentiation, PESTLE analysis

Paper type Case study

Introduction

In 2009, airline businesses globally faced disastrous situations leading to overall industry-wide losses of $9.4 billion. Skyrocketing oil prices, long global recessions, falling demands, fierce price-cutting, collapsing yields revenue per mile and shattering consumer confidence contracted and confronted the airlines resulting in bankruptcies and shrinkages in networks and service levels across the globe during this time. Although Emirate Airlines (which is also known as "Emirates") faced the same challenges as other airlines, it held out remarkably well against prevailing industry norms on increasing contraction.

In the year 2009, ending on 31 March 2010, Emirates carried 27.5 million passengers, which was an increase of 4.7 million over the previous year, and handled 1.6 million tons of cargo which represented an increase in volume of 12.2 percent on the previous year.

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It publicly declared a net profit of $964 million through leveraging the brand equity built-up over the years. Yet, Sheikh Ahmed bin Saeed Al-Maktoum, Emirates' Chairman and Chief Executive, described the last financial year as the airline's "toughest" (*The Economist*, 2010).

Currently, there are 5.72 million loyal customers using Emirates services under the Skyward frequent flyer program. As the fleet expansion program of Emirates remains on track, it continues to take delivery of new aircrafts, invest in brand and support, and expand its network. Emirates recently deployed Airbus 380, the world's largest passenger aircraft, in its network and it captured the imagination of air passengers everywhere.

Based in Dubai in the United Arab Emirates (UAE), Emirates is the fastest growing and largest airline in the Middle East. It is the most profitable airline business in the world. The company also operates three of the ten world's longest non-stop flights from Dubai to Los Angeles, San Francisco, and Houston. With more than 400 awards for excellence worldwide, Emirates is one of two key units in the Emirates Group. The other is Dnata, one of the largest travel organizations in the Middle East with over 8,000 employees handling passengers, cargo, and ramp and technical services for numerous airlines at Dubai International Airport. The airline unit provides commercial air transportation including passenger, cargo, and postal carriage services. Emirates is wholly owned by the Government of Dubai, but the airline is run on a commercial basis and receives no financial support or protection from the government. This case study focuses only on the airline business unit of the Emirates Group.

History

In 1974, the rulers of the UAE established a joint flag carrier called Gulf Air with a few Gulf Cooperation Council (GCC) countries. However, a tense relationship between Gulf Air and the Dubai Government had existed ever since its inception. The Dubai Government refused to agree to Gulf Air's demands to abandon its open skies policy. In reaction, Gulf Air reduced frequencies and capacities to and from Dubai by more than two-thirds between 1984 and 1985 without advance notice to the Dubai Government Authorities. Since other foreign carriers operating to Dubai proved unable or unwilling to fill the gap, Dubai's then ruler, Sheik Maktoum bin Rashid Al-Maktoum, convened a team of experts to devise an emergency plan to set up a home carrier for Dubai. The group's recommendation was accepted by the ruler, but he imposed two conditions: the new airline should meet the highest quality standards and there would be no additional capital injections from the government other than the agreed startup capital of US$10 million. Emirates was incorporated, with limited liability, by an Emiri Decree issued by the ruler on 26 June 1985 and is wholly owned by the Investment Corporation of Dubai, a Government of Dubai entity. On 25 October 1985, Emirates' first flight was inaugurated and crossed the skies of the UAE.

Despite suffering the impact of the 9/11 attacks, which really shook the aviation industry in the dawn of a new millennium, and strong influences from other external factors, Emirates has declared a steady annual growth rate and has never reported a loss since its naissance in 1985.

Vision and values

A strong and stable leadership team, ambitious yet calculated decision-making, and ground-breaking ideas all contribute to the creation of great companies. Of course, these have played a major part in the development and growth of Emirates and it is believed that business ethics and customer focus are the foundation on which the success has been built. Strong brand awareness through sponsorship of sports and games, caring for their employees and stakeholders, as well as the environment and the communities Emirates serve, have played a huge part in its past and will continue to signify its future.

The organizational chart of Emirates

Middle Economic Digest (Tomlinson, 2010) noted that Emirate Airlines, like most state-owned enterprises in the region, maintains a narrow ownership structure. The Airline President – Tim Clark – oversees the entire aviation business reports to the executive Vice Chairman of the entire Group, Maurice Flanagan. He is also in charge of the central carrier operation: the freight business, Emirates SkyCargo, the frequent flyer business, Skywards, airport services. And the growing hotel and holidays business.

The unique organizational structure of the Emirates Group having a flat hierarchy has been a great help for its growth and development and it is considered a major strength for Emirates. This structure allows for clear communication and rapid decision making at a senior level (Figure 1).

Scope of operations and uniqueness of Emirates

The city of Dubai is located at a center point in the world map connecting the east and west. Consequently, the airline is capable of tapping resources from both sides. Since the heavily populated and fastest growing economies of the world, namely China and India, are at the closer reach of Emirates, the scope of operations to these countries and the region has substantially increased for Emirates lately. In general, the Asian continent is witnessing a recent economic boom and the airline has really benefited from this opportunity.

In 2010, Emirates operated over 2,400 passenger flights per week to 105 cities in 62 countries across six continents. It employs over 28,000 employees including 13,000 cabin crew members of more than 120 nationalities capable of conversing in 60 different languages. Emirates is renowned for market trends pioneering new ideas, often in contrast to the conventional industry's view, and several notable services including personal entertainment systems in all seats, private first-class suites, use of mobile phones on board, introduction of SmartLanding and SmartRunway safety solutions.

Emirates' success is primarily because of the ambitious strategy formulated by the ruling family of Al-Maktoum to transform Dubai into a regional hub of trade and tourism in the Middle East. Emirates' formula for success is mainly based on its innovative and creative ideas to seize opportunities and solve problems as they arise. Emirates believes in doing things that seem right and leaving things that functionally do not quite fit. Since the big picture of an organization is made out of small details, Emirates is focusing on details instead of holistically looking at the big picture. In other words, the success of Emirates has emerged from waylaying of non-traditional management approaches rather than relying on the industry's conventional business acumen. Emirates' success is the outcome of the blend based on a hard to emulate mix of an excellent geographic location and outstanding management, embedded in an ambitious and visionary master plan. This success can be directly linked to the success of the city – Dubai. As the city grows with the best in everything from fine dining

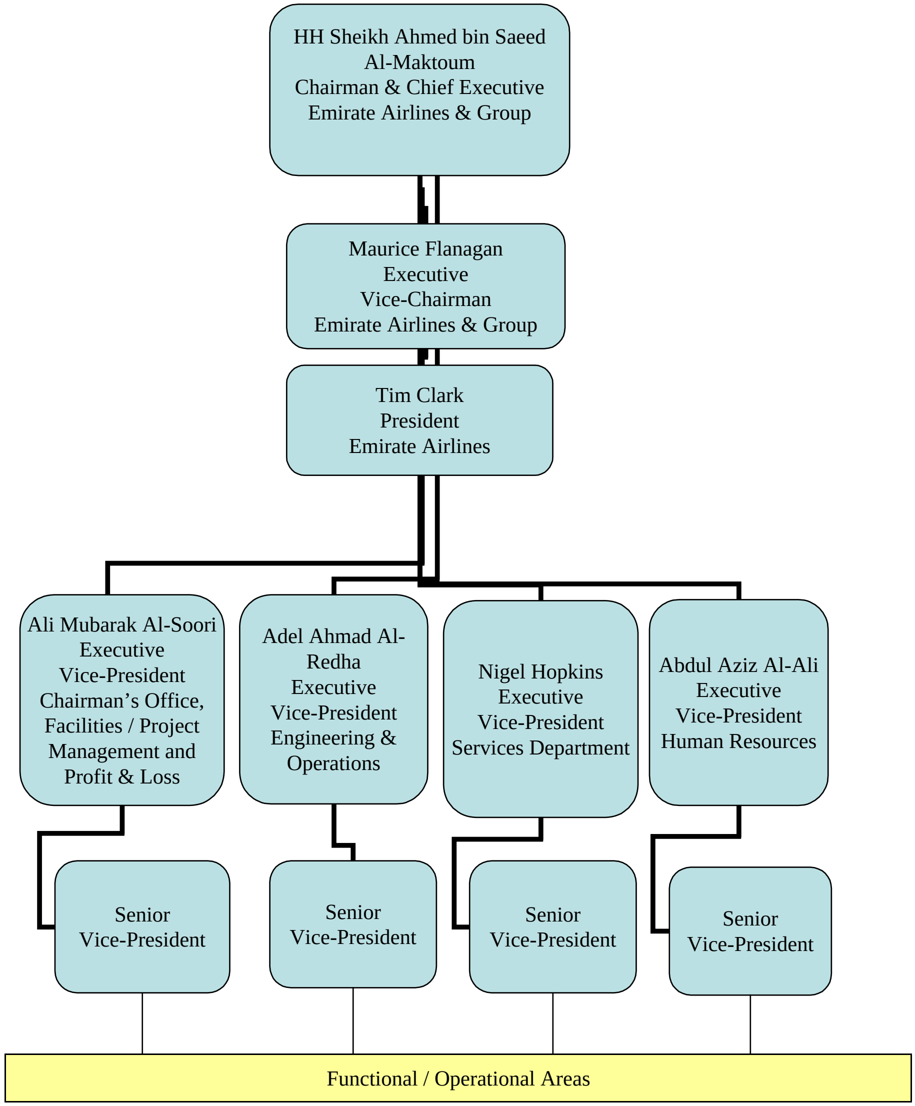

Figure 1.
The organizational chart of Emirates

and nightlife to sightseeing and from sports to world class boutiques and businesses, overflowing malls, and as an international oasis that attracts entrepreneurs, adventurers, and pleasure seekers, the opportunity for Emirates to grow as the flag carrier of Dubai has evolved with an overwhelming market demand. In 2004, Emirates changed its slogan to Fly Emirates. In 2008, Emirates launched a slogan mainly revolving around their route network of 100 destinations in 59+ countries across six continents – Keep Discovering and Fly Emirates. Most recently Emirates launched a campaign to promote Dubai as a destination using the slogan Fly Emirates and Meet Dubai.

Emirates fleet

Since 1995, Emirates has operated an all wide-body fleet, and in the past ten years it has placed some of the largest aircraft orders ever in aviation industry. Emirates' fleet is one of the youngest in the skies with an average age of 69 months compared with the industry average of 190 months as of March 2010. The fleet size in 2010 included 142 aircrafts with different carrying capacities deployed in the carriage of both passengers and cargo. Emirates has 146 aircrafts, which are worth of $60 billion, on firm orders and takes delivery of new aircraft at an average of one aircraft per month. It operates the world's largest A380 and B777 fleets and has become the single most important customer for Boeing and Airbus aircraft manufacturers. Emirates operates a mixed fleet of Airbus and Boeing wide-body aircraft and is one of only nine airlines to operate an all wide-body aircraft fleet. The centerpiece of the airline's fleet is the Boeing 777. Emirates also has orders for 90 Airbus A380s of which 12 of them have been delivered and put in service already. The introduction of A380 has helped to ease airport congestion problems and given Emirates an opportunity to build on its on-time departure record. Emirates has won numerous awards and is an industry bellwether for aircraft purchases having purchased over 130 aircraft in 2007 alone (Table I).

The introduction of A380 aircrafts in its fleet has generated great excitement. A380 with the best cabin in the sky is offering unparalleled comfort for all resulting in higher load factors, a higher market share, and higher profit margins for Emirates. It has planned to phase out 68 older wide bodies – A330-200s, A340-300/500s, and B777 Classics in 2011. Emirates plans to have over 320 aircraft by 2018 and some reports suggest that the airline will have more than 400 aircraft in its fleet by 2020.

Aircraft type	In operation	Of which on operating lease	Of which on finance lease	Of which owned by Emirates	Change from 31 March 2009	On firm order	Additional options
A330-200	29	27	2				
A340-300	8	8					
A340-500	10	8	2				
A350-900 / 1000 XWB						70	50
A380-800	8	2	6		+4	50	
B777-200	3	2		1			
B777-200ER	6		1	5			
B777-200LR	10	4	6				
B777-300	12	12					
B777-300ER	52	34	18		+10	19	
Total in passenger operation	138	97	35	6	+14	139	50
B777-200LRF	2	2			+1	2	
B747-400F	2	2					
B747-8F						5	
Total in cargo operation	4	4			+1	7	

Table I. Fleet of Emirates

Safety record of Emirates

Except for a few incidents, Emirates flights are generally very safe. On 9 April 2004, Emirates night flight 764 heading back to Dubai was cleared to takeoff from Johannesburg's 4,420 m (14,500 feet) runway 21R. The crew used "reduced flexible thrust" for takeoff. Following the call to rotate, the pilot pulled back on the stick. However, the aircraft did not become airborne and the pilot released the stick to avoid a tail-strike. The airplane rumbled off the end of the runway, smashed through a row of runway end/approach lights, and went about 650 feet before finally getting airborne after the pilot reapplied back-stick and also applied takeoff go-around power. The manoeuvre resulted in three blown tires during takeoff, which damaged the flaps and made them impossible to retract. After a fuel dump, the aircraft then returned back to the airport. On landing, at a speed of approximately 70 kts (130 km/h), the brakes failed. Flight 764 came to a halt just before the end of the runway. It was the first time both pilots were flying the A340 and the pilot flying at the time had received ambiguous instructions regarding rotation technique during his transition training that resulted in the incident.

Another incident occurred on 20 March 2009; an Emirates Airbus A340-500, registration A6-ERG, operating as EK 407, bound for Dubai International Airport with 225 passengers on board made an emergency landing in Melbourne after suffering a tail-strike takeoff. There were no injuries amongst the passengers or crew. The jet was known to have experienced at least one but possibly three or more tail-strikes during its takeoff roll. The jet was severely damaged, broken down to the underlying ribs or stringers in one area, in a part of the structure where the critical rear pressure bulkhead may also have been damaged. An early Australian Transport Safety Bureau report suggested that incorrect aircraft weight entered to calculate takeoff power may have contributed to the incident. On 25 April 2010, Emirates Flight EK 530, a Boeing 777-200, from Dubai to Kochi/Cochin in India, dropped 200 feet (61 m) during heavy turbulence, as the aircraft entered into a thick cumulonimbus cloud while the aircraft was on descent to Kochi, over Goa on the coast. There were 350 passengers and 14 crew members onboard. At this time, 20 passengers were injured and damage caused internally to the plane. Lately, Emirates reported that, on 29 October 2010, Emirates was escorted by fighter jets into New York airport because of a suspicion of explosives aboard the flight which originated from Yemen. The flight was later cleared.

Service quality in Emirates

In 2010, a comprehensive survey was conducted among frequent flyers of seven major airlines operating longer haul flights out of the UAE, namely Air France, British Airways, Emirates, Etihad Airways, Qatar Airways, Swiss Air, and Virgin Atlantic Airways to measure the level of service quality in terms of the customer experience from flight booking all the way through to check-in, baggage drop, boarding, plane conditions, in flight services such as food and beverage, entertainment and shopping, right through to disembarkation and final baggage claim. The survey results indicated that Emirates has outperformed its rivals and ranka at the top in the list as the best service provider (Ethos Consultancy, 2010).

Moreover, Emirates has received more than 400 international awards in recognition of its continuous efforts in providing unsurpassed world class customer service, using advanced technology, and offering excellent in-flight comfort for its passengers.

However, at the same time, there are sources indicating inconsistencies in service quality in some flight segments, which is a weakness for Emirates.

Cathay Pacific's CEO Tony Tyler said that he believed Gulf carriers would take at least a "generation" to catch up with the levels of in flight service offered by the Hong Kong-based carrier. Maurice Flanagan, Founding Managing Director of Emirates and currently Executive Vice Chairman responded to this by saying:

> We are ahead of Cathay. There is no way in which Cathay is ahead. It is nonsense [. . .] We are totally different from Etihad, totally different from Qatar Airways and totally different from Gulf Air. What's he talking about? (McGinley, 2010).

However, Flanagan was not specific about how Emirates is different from its rivals.

Financial analysis

The business climate at the commencement of the financial year 2009-2010 was pessimistic but gradually turned to cautious optimism during the course of the third quarter with results boosted by an extremely strong performance in the second half of the financial year. Transport revenue which was down 15.4 percent in the first half over the same period in the previous year recovered sharply on the back of strong revenues, improved yields, and higher load factors (Table II and III).

Segment-based financial information of Emirates

Emirates management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The main activities of Emirates comprise:

- commercial air transportation which includes passenger, cargo, and postal carriage services;
- wholesale and retail of consumer goods;
- in-flight and institutional catering; and
- hotel operations.

	2010	2009
Revenue	42,477	42,459
Other operating expenses	978	807
Operating cost	−39,890	−40,988
Operating profit	*3,565*	*2,278*
Other gains and loses	48	−1,572
Finance income	330	431
Finance cost	−355	−535
Share of results in associated companies and JVs	77	63
Profit before income tax	*3,665*	*665*
Income tax (expenses) credit	−50	85
Profit for the year	*3,615*	*750*
Profit attributable to minority interest	77	64
Profit attributable to Emirates' owner	*3,538*	*686*

Note: Year ending 31 March 2010, million AED

Table II. Emirate Airlines consolidated income statement

Assets	2010	2009
Non-current assets		
Property, plant, and equipments	33,753	29,086
Intangible assets	927	923
Investments in associated companies and JVs	461	441
Advance lease rentals	233	192
Available-for-sale financial assets	–	113
Loans and other receivables	1,432	1,039
Derivate financial instruments	64	125
Subtotal	36,870	31,919
Current assets		
Inventories	1,084	1,053
Trade and other receivable	7,008	7,109
Held-to-maturity financial assets	–	200
Derivate financial instruments	74	–
Short-term bank deposits	1,176	2,619
Cash and cash equivalents	9,335	4,549
Subtotal	18,677	15,530
Total assets	55,547	47,449
Equities and liabilities		
Capital and reserve		
Capital	801	801
Retained earning	16,794	14,812
Other reserve	−321	−201
Attributable to Emirates' owner	17,274	15,412
Minority interest	201	159
Total equity	17,475	15,571
Non-current liabilities		
Borrowing and lease liabilities	16,753	15,140
Provisions	364	367
Deferred revenue	1,483	1,178
Deferred credits	460	492
Deferred income tax liability	4	13
Trade and other payables	21	25
Derivate financial instruments	467	538
Subtotal	19,552	17,753
Current liabilities		
Trade and other payables	15,475	12,530
Income tax liabilities	19	23
Borrowing and lease liabilities	2,852	1,372
Deferred credits	162	169
Derivate financial instruments	12	31
Subtotal	18,520	14,125
Total liabilities	38,072	31,878
Total equity and liabilities	55,547	47,449

Note: Year ending 31 March 2010, million AED

Table III. Emirate Airlines consolidated balance sheet

The airline business unit is the main reportable segment. Since other operations under the subsidiary units are not meeting the quantitative thresholds for determining reportable segments under International Financial Reporting Standards, they are categorized as "all other segments" in Table IV.

	Airline	All other segments	Reconciliation	Total
Total segment revenue	40,815	2,522	− 116	43,221
Inter segment revenue	–	744	–	744
Revenue from external customers	40,815	1,778	− 116	42,477
Segment profit	3,313	302	–	3,615
Finance income	323	7	–	330
Finance costs	− 340	− 15	–	− 355
Income tax expenses	− 49	− 1	–	− 50
Depreciation and amortization	− 2,811	− 151	–	− 2,962
Share of results in associated companies and JVs	–	77	–	77
Impairment of available-for-sale investments	–	− 109	–	− 109
Segment assets	51,107	5,094	− 654	55,547
Investments in associated companies and JVs	–	461	–	461
Additions to property, plant, and equipment	7,213	768	–	7,981
Additions to intangible assets	70	2	–	72
Additions to advance lease rentals	93	–	–	93

Note: Year ending 31 March 2010, million AED

Table IV. Emirate Airlines segment information

Performance of the airline and other segments is evaluated based on net profit or loss and is measured consistently with profit for the year in the consolidated financial statements. Segment revenue is measured in a manner consistent with that in the consolidated income statement, with the exception of national revenues from staff leave passage and duty travel which are included in total segment revenue under airline segment but adjusted against operating costs. This adjustment is presented in reconciliation. Segment assets include inter-segment loans and receivables, which are eliminated on consolidation. This consolidation adjustment is represented in reconciliation.

Revenue from inbound and outbound airline operations between the UAE and the overseas point are attributed to the geographical area in which the respective overseas points are located. Revenue from other segments is reported based upon the geographical area in which the sales are made or services are rendered. The major revenue earning asset is the aircraft fleet, which is registered in the UAE. Since the aircraft fleet is deployed flexibly across Emirates' route network, providing information on non-current assets (other than financial instruments and deferred tax assets) by geographical areas in not considered meaningful. No single external customer contributes 105 or more of Emirates' revenues (Table V and VI).

External customers	2010	2009
Europe	11,612	12,185
Americas	4,003	3,702
East Asia and Australasia	11,843	12,097
West Asia and India Ocean	5,322	4,938
Africa	4,756	4,695
Gulf, middle east, and Iran	4,941	4,842
	42,477	42,459

Note: Year ending 31 March 2010, million AED

Table V. Emirate Airlines geographical information: revenue from external customers

Assets	2010	2009
Operating activities	3,665	665
Profit before income tax		
Adjustments for:	2,962	2,211
Depreciation and amortization	25	104
Finance costs – net	−258	−14
Profit on sale of property, plant, and equipment	–	144
Loss on sale of available-for-sale investments	−77	−63
Share of results in associated companies and JVs	14	7
Net provision for impairment of trade receivables	109	73
Impairment of available-for-sale financial assets	301	236
Provision for employee benefits	−48	1,572
Change in fair value of derivate financial instruments at fair value trough profit or loss	−299	295
Net movement on derivative financial instruments	−304	−315
Employee benefit payments	−63	−61
Income tax paid	−32	−301
Change in inventories	−316	415
Change in receivables and advance lease rentals	2,649	48
Change in payables, deferred credits, and deferred revenue	8,328	5,016
Net cash generated from operating activities		
Investing activities	883	117
Proceeds from sale of property, plant, and equipment	−72	−82
Additions to intangible assets	−3,416	−5,573
Additions to property, plant, and equipment	−18	−71
Investments in associated companies and JVs		−52
Acquisition of subsidiary	–	−1
Disposal of minority interest	–	1,837
Proceeds from sale of available-for-sale investments	1,443	5,026
Movements in short-term bank deposits	200	216
Net movement in held-to-maturity financial assets	308	379
Interest income	95	100
Dividends from associated companies and JVs	−577	1,896
Net cash (used in)/generated from investing activities		
Financing activities	−122	−383
Net loan repayment	−319	−273
Aircraft financing costs	−103	−295
Other finance charges	−1,447	−1,161
Net leases liabilities	−956	−2,913
Dividend paid	−35	−60
Dividend paid to minority shareholder	−2,982	−5,085
Net cash used in financing activities		
	4,769	1,827
Net increase in cash and cash equivalents		
	4,547	2,715
Cash and cash equivalents at beginning of year	6	5
Effects of exchange rate changes	9,322	4,547
Cash and cash equivalents at end of year		

Note: Year ending 31 March 2010, million AED

Table VI.
Emirate Airlines consolidated statement of cash flows

Human resources strength

The workforce at Emirates increased to a total of 28,686 in 2010. The employee categories and the corresponding numbers are given in Table VII.

The Vice Chairman of Emirates, Flanagan considers high labor costs for pilots and other employees to be an impediment to the growth of any airline. He cited the situation at employee-owned United Airlines where pilots received 40 percent raises in a four-year contract in 2000. This triggered a rise in labor costs across the industry. "That is simply not sustainable," said Flanagan, who noted that the high salaries in American commercial aviation also translate into larger pension costs – two problems that Emirates does not share. Emirates has lower human resource costs compared to the industry. This is partially due to attracting workers from nearby low-wage nations (Kowledge.wharton.upenn.edu, 2007).

External audit

The external audit focuses on identifying and evaluating trends and events beyond the control of Emirates. The external audit reveals key opportunities and threats confronting Emirates so that the management can formulate appropriate strategies to take advantage of the opportunities and avoid or reduce the impact of threats.

Competition

The national airline of the UAE – Etihad Airways, the regional airline companies such as Qatar Airways, Oman Air, Gulf Air and some of the airline companies in Europe and in Australasia are the major competitors of Emirates. Rival global airlines such as Air France-KLM, British Airways, Lufthansa, and Qantas perceive Emirates' as a major threat because it enables travelers to by-pass traditional airline hubs such as London Heathrow, Paris-Charles de Gaulle Airport, and Frankfurt Airports during their Europe/North America and Asia/Australia flights and use Dubai instead. These airlines also find it difficult to deal with the growing competitive threat Emirates poses to their businesses because of the much higher cost base in their nations. At the same time, the competitors' aggressive strategies to grow their home markets, especially the growth strategies of Etihad Airways and Qatar Airways, are major concerns for Emirates. All these carriers are so concerned about the detrimental effects of Emirates' growth on their future ability to compete with it on a level playing field that they have resorted to openly accusing Emirates of taking advantage of receiving hidden state subsidies and of maintaining close relationships with Dubai's Airport and Civil Aviation Authorities which are also wholly state-owned entities that share the same government owner with the airline.

UAE	2009-2010	2008-2009
Cabin crew	10,785	10,324
Flight deck crew	2,237	2,141
Engineering	1,904	1,849
Other	9,084	9,379
Subtotal	24,010	23,693
Overseas stations	4,676	4,344
Total Emirates	28,686	28,037

Table VII. Human resources strength of Emirates

In addition, they have also accused Emirates of taking unfair advantage of its government shareholders' sovereign borrower status. They claim that this masks the true financial performance of Emirates and reduces its borrowing costs below market rates. In May 2010, Emirate Airlines executives refuted claims that the carrier does not pay taxes and receives substantial financial assistance from the Dubai Government. They claimed that the airline has received $80 million in cash in kind since the start of the airline 25 years ago and this was substantially lower than what other national carries received. The Executive Vice Chairman Maurice Flanagan claimed that Emirates incurred social costs of around $600 million in 2009 and this included municipal taxes to the city of Dubai (McGinley, 2010). The airline also paid a dividend of AED956 m ($260 million) in 2010, compared to AED2.9bn ($793 million) in 2009 and each year the government has received at least $100 million in dividends.

PESTLE analysis of Emirates

Since a PESTLE analysis focuses on the external analysis when conducting a strategic analysis and gives an overview of the different macro-environmental factors that the company has to take into consideration, a PESTLE analysis has been made on Emirates. It is a useful strategic tool for understanding market growth or decline, business position, potential, and direction for operations.

Political forces

Emirates has been fortunate in the dawn of the new millennium as the political scenario of the region has been quite favorable for the airline. Most of the countries in the Asian continent have signed agreements among themselves and with several countries in Asia-Pacific, Europe, and the USA which facilitate better political cooperation and trade opportunities between countries, including the growth of the aviation sector. These agreements have opened up several doors to the world for Emirates and have provided ready-made markets to expand its network. The major strengths of Emirates are the support of the Government of Dubai which ensures infrastructure developments to meet the growth of Dubai and Emirates; the low charges and fees levied at Dubai Airport; the open skies policy which provides equal opportunities for all air carriers; low taxation policy of the government on companies and businesses which boost the trade and commerce in Dubai; and the easy and generous immigration laws of Dubai Government that enable organizations to secure entry visas and work permits for foreign workers to fulfill their labor requirements. On the other side of the coin, the total political instability in the Middle East region may be a hindrance for the further growth of Emirates.

Economic forces

The Arab states, in particular the UAE, have been nurturing their economies at a rapid pace. The GCC countries especially are increasingly becoming more sophisticated in all aspects. These economies are growing at a substantial rate, consequently affecting the overall level of disposable income of the households at an increased level of per capita income and therefore the affordability of the people to use air transportation. The Dubai Government is negotiating with several governments for better economic cooperation and free trade agreements and this act is expected to boost the growth of trade and commerce in the Dubai as well the growth of Emirates. About 3.5 billion people are living within the reach of an eight hours flight from Dubai; hence, the huge population generates ever-growing demand for air travel in the region. There is a paradigm shift in the market demand, customer choices, and travel behavior that is changing rapidly. Besides, the regional governments are streamlining their economic policies so as to suit the growth of the airline industry. This is one of the reasons why Emirates has seen phenomenal growth over the past few years.

Social forces

A well-designed strategic management system could fall short if necessary attention is not given to personnel affairs in an organization. Personnel issues are adversely affecting airline businesses globally. Employees are becoming increasingly aware of their potential and most of them are demanding more. Emirates operates in a region where there is an abundance of human capital, albeit "multicultural work force." Most of these workers rarely demand higher level of compensation. When comparing the scenario of the UAE with other countries such as the USA and the UK, it can be found that there is a significant difference in labor costs. Most of the organizations in the UAE are using only 10 percent of their operating expenses to pay their employees and so does Emirates; while the businesses in the latter countries use up to 40 percent for the same purpose. Consequently, the Airline has benefited extensively and made good profits on these grounds.

Many airline businesses are increasingly recruiting different types of employees in order to meet their needs in handling numerous types of aircrafts. For example, an airline company may operate different types of aircrafts and equipment such as regional jets, four engine planes, wide body and narrow body aircrafts, and so on. The difference in maneuvering these aircrafts and equipment is managed by employing a specially and highly skilled workforce such as qualified pilots, engineers, and technicians. These employees belong to different unions and they may require special attention by the human resource department. Pay scales may also be difficult to maintain if some of these workers operate in stable economies. Although no trade unions are legally permitted in the UAE, Emirates has also been affected by the problems posed by highly skilled employees but not to a large extent. Emirates has not bought too many varieties of aircrafts. Consequently, there is room for the organization to grow without having spent much on the human resources.

Technological forces

In response to the heavy boom of technology in the past two decades, Emirates has been using technology extensively in its day-to-day operations. Since Emirates' worldwide reach and diverse customer base requires a global technology platform, it has invested more resources to localize each individual market. Emirates has control over a single global system that is deployed in 14 languages and supports payment in 42 currencies. Additionally, Emirates maintains segment inventory with the use of technology by geographic region and traveler type to optimize product and service offers for the individual preferences of each market.

Legal forces

In the past, most governments within the Asian continent and in the Asia-Pacific region used to operate under a paternal government policy and felt that they had to protect airlines against external factors. The recent changes in the economic policies of these governments have allowed the airline businesses to compete more openly; to have their own economic model in order to sustain their competitive advantage without worrying much about government hindrances; and to operate more freely with less legal impediment in the region, which has resulted in a positive growth for Emirates.

Environmental forces

Organizations have obligations to formulate and implement strategies from an environmental perspective. Increasing numbers of firms are implementing tougher environmental regulations as they make economic sense. Emirates is one of the prime organizations that preserve and conserve natural resources and control pollution in the region. Emirates has organized several environmental projects in the past 20 years.

Strategy

The exceptional performance of Emirate Airlines lately is predominantly dependent upon the strategies being formulated and implemented. The strategies include an array of operational strategies, a generic strategy, few intensive strategies, and a diversification strategy.

The most important operational (corporate) strategy of Emirates is "high quality provider strategy." Since Emirates is very concerned with the safety of the passengers, it aims to have 120 Airbus A380s in its fleet when new airport space is available; it is working with Boeing on the next generation of 777 jets and is interested in its replacement. The target implies a future Emirates order for 30 of the world's largest airliner, worth $10 billion at list prices, at an unspecified date. If the airline goes ahead with its growth plans it would have an A380 fleet worth over $40 billion.

One of the other operational (corporate) strategies of Emirates is called "be the first to introduce new products." Emirates is renowned for market trends pioneering new ideas, often in contrast to the conventional industry's view, and several notable services including personal entertainment systems in all seats, private first-class suites, use of mobile phones on board, introduction of SmartLanding, SmartRunway safety solutions, and being the first airline to place huge aircraft orders. Emirates has become the first airline in the world to introduce a personal entertainment system on a commercial aircraft after introducing the world's first seat-back screens in 1992. Emirates has won the award for best in-flight entertainment from Skytrax for the entertainment system every year since the systems' inception in 2003. At present, almost 70 percent of the fleet has in-flight entertainment, and by 2011 the entire Emirates fleet is set to have the system.

Emirates has also implemented another operational strategy (corporate) called "best customer service provider." It provides the best ground services through early and easy check-in, waiting lounges, and chauffeur driven airport transfers in selected cities in the region. Another operational strategy of Emirates is to "become highly automated." The introduction of SmartLanding, SmartRunway safety solutions, auto check-n system, and automated simulations in the cabin crew training programs are good examples of the implementation of this strategy.

Moreover, Emirates has also formulated and implemented an unique growth strategy to improve its products and services, continuing to expand from a focus on the customers' experience on board to a long-term program to improve their experience within the airport. The generic strategy of Emirates is focused product differentiation. Along these lines it has opened 16 amazing and unbeatable lounges at world leading airports for first class passengers. Emirates has also crafted and executed several intensive strategies such as market penetration, market development, and product development.

Finally, its diversification strategy called "related diversification" has enabled the organization to invest in its subsidiaries. It has diversified into related industries and sectors, including aircraft ground handling, aviation engineering, air catering, and tour operator operations. It has over six subsidiaries, whilst its parent company – Emirates Group – has over 50.

The future

Emirates is the seventh largest airline in the world in terms of international passengers carried, and fourth largest in the world in terms of scheduled international passenger-kilometers flown. In its first 11 years of operation, it has doubled its size every 3.5 years.

In 2010, Emirates had to respond to competitors' claim that it does not pay taxes and receives substantial financial assistance from the Dubai Government.

Emirates is one of Dubai's crown jewels and enjoys a strong reputation. However, it may emerge as a potential pawn in the city-state's scramble for financial stability. Analysts fear that it might get caught in the Dubai debt crisis which may force the carrier to moderate its expansion, which could hurt aircraft manufacturers like Boeing and Airbus, as it has placed orders worth $55 billion with them. Also, its own future growth might be at question. While Emirates so far has done well, one should not, however, discount its government support and the heavy reliance on expatriates to run and manage the operations. In the coming years, when competition in the industry increases and resources become limited, one wonders how well Emirates will survive in such an environment, especially without the presence of expatriates among its employees. These and other issues are on the minds of senior executives who rethink their strategic approaches and ponder world economic crisis and rapidly changing business environments.

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