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Identifying Business Strategic Opportunities in a Private Airline Using Delta Model

Nastaran Pourakbari, Ali Taghizadeh Herat, Mohammad Ali Alemi
Department of Industrial Engineering, Parand Branch, Islamic Azad University, Tehran, Iran

Abstract

Airline customer service, a vital part in successful organizations, plays an important role in improving company profits. Since there are few studies considering customer service in Iranian airlines, this paper employs Delta model, which is a customer-based approach in strategic management, to improve aircraft maintenance and customer satisfaction. In this research, six service levels are defined and data is collected by interviews. The aim of this research is to identify business strategic opportunities to improve customer service. The main contribution of this paper is to employ Delta model in the Iranian airline industry. The results shows that it can be possible to improve airline customer service using Delta model. The main conclusion to be drawn from the results is that scheduling and budgeting are the vital part in the airline customer service and working on can be a future research.

Keywords: Airline Customer Service, Delta Model, Private Airline, Business Strategic Opportunities.

Introduction

The essence of strategic position is embedded in selecting activities that is different from functional practices used by organizational competitors. Obtaining a strategic position means practicing different activities and/ or similar activities with different methods compared to competitors (Porter, 1996). Compatibility to new problems faced in business world through obtaining a relatively appropriate and enjoying a dynamic structure for explaining the strategic positions is considered the basis of participating in today intricate environment (Esmailpoor et al., 2009). It is obvious that the managers here need tolls to enable them identify their position with regard to their competitors and to take necessary actions to achieve those goals in future (Mehregan et al., 2004). For identifying the strategic positions, one cans act in different ways. However, Arnold Hex from MIT University had developed a new approach in 2010 that explains viewpoints in a completely different way than that of traditional way. This approach helps managers in forming, explaining and effective execution of the strategy to enable them to devise a way for being different with their business competitors because the main goal of competition isn't to defeat competitors or to gain higher sale share rather it is to gain more profits that is the fundamental goal of business and reaching a stable and better financial performance (Porter,

2012). It must be attempted that to have different business and what is important in this regard is the customer and it is very essential and critical to try to understand customers' needs and compartmentalize them as well as to identify and assess our capabilities to make a company not only supplying goods but also providing creative and unique solutions for all of critical needs of customers. This paradigm change creates a giant revolution that can be resulted in a long term and constructive relationship and a deep link to the customer that in turn results in profit based on an indiscrete trust and clarity. According to this key difference in approach of relationship with customer, the basis of another strategy isn't gaining stable competitive advantage against competitors rather it is creating a deep link with customer such that the customer is considered as the driving force of the business. To achieve this goal, the delta model provides you with three different options to answer each customer as desired: 1. Providing the best product; 2. An inclusive solution for customers; 3. Making adherent to system (Arnold Hex, 2010).

Moreover, internet outbreak with its unimaginable consequences in communication field has resulted in technologies like e-business and e-commerce that make possible to implement different commercial viewpoints (Hex and Wild, 2010). Delta model includes a set of frameworks and methodologies and resulting from this idea that experienced changes in business world has been expanded such that has parallelized and disabled current management frameworks. On the other hand, the air transportation affects considerably the community growth and development in different aspects. The competitors enter this industry easily. On the other hand, halted economic sanctions and imported new airplanes as well as our foreign competitors made us to practice identifying business strategic positions in an airlines technical services division with regard to new environmental conditions and deepened links to our customers and finally stable financial performance because the strong and updated maintenance division is one of factors resulting in success and profitability for airlines around the world.

Literature Review

In delta model field, researches performed by Azaddokht et al. (2015) are examples that identified potential organizational strategic positions by the aid of delta model. Research results indicate that identification of the strategic position in an organizational level in potential positions set of delta model not only create self-awareness in the aforementioned organization but also has two other application regarding the organization have and have nots. First: possibility of examining the organization and current competitors in the industry and/ or organizations with resembling structures. Second: organizational weak and strong points are identified with greater accuracy and the planners are more enabled to predict future horizon.

Esmailpoor et al. (2009) performed a research based on delta model and system dynamics that practiced determining and improving the strategic position in Tehran refinery and it was proved that the organization is dedicated to the better product strategic position 60%, to position of providing an inclusive solution 22% and to position of focusing on the system 17%. Then, using system dynamic method for providing a simulated model to make this position clear and way of organizational interaction to the external environment, the organizational strategic position chart was designed and the system behavior was simulated explaining five policies.

In a research performed by Jetla and Yu (2008), the delta model has been used as an intelligent tool for balancing competitive strategies and marketing in companies and the research has focused on the mobile marketing in the US. One of the main findings of this research is that the

observed variables are generalized to the customer solution, customer profile and the product. This depends on accepting that the delta model is different. Therefore, the marketers may separately investigate their desired area in an individual activity to maximize the customer interaction.

Ali Ahmadi et al. (2008) practiced explaining conformities between Hex and Porter's models with regard to network economic specifications and studying Bahman Motor Center practiced to comply strategic orientation for the center products with delta model pattern.

Fam (2011) analyzed Morning Star Company strategic position by the aid of Porter model and an approach based on resources and concluded based on the delta model that to develop product and its specifications to retain the best product position it is required to devise R&D division and to achieve an inclusive solution of customers it is required to notify the variety in converter production line and cooperation with finishers for searching solutions to optimize products and reduce costs needed for installation and maintenance for final customers.

Gioli et al. (2011) provided strategies for commercializing WIBRO in global market based on delta model and a strategic framework for experimental research using ANP. As a result, the successful commercialization of WIBRO is very difficult only by way of an advancing technical position. Based on literature, for developing this industry standardization plays a major role. On the other hand, certain strategies are provided to by the aid of delta model to change the position from product to customer and global commercialization.

Mohaghar et al. (2014) used delta model as a dynamic strategic model for identifying strategic positions of Mellat Bank in Iran and practiced combination of delta model and system dynamic methods strategically and used this idea for simulation and prediction of organizational various variables. Based on obtained results, Mellat Bank is in the better product position.

A research performed by Mehregana et al. (2004) used delta model for identifying the strategic position of companies providing internet services and screening delta model indices and prioritizing them by the aid of FAHP and drawing justified area of web practiced the strategic position for four well-known companies in this industry among which Alborz Company achieved the highest score from product strategy. The most of companies achieved low scores for their inclusive solution for customers or they achieved moderate score. As a result, companies are not well focused on this strategy and they achieve lower score regarding focusing on the system of all companies because the environment of this industry is not such that to select a complementary and activate the system.

As seen from the research literature, the delta model has not been used yet for identifying the strategic positions in airline industry and recreating business in this field.

Theoretical Foundations

In this section, Delta model and strategic opportunities are presented.

Strategic Opportunities

Strategic opportunity has a critical role in the organizations in which there are a combination of special activities (Azaddokht et al., 2015). Achieving a strategic position means doing different activities and/ or similar activities with different methods compared to competitors (Porter, 1996). The strategic delta model explains a completely different view with the traditional one that used by many managers. The model seeks to help the managers to achieve, as a result, a

sustainable financial performance and long term profitability. Delta model includes a set of frameworks and methodologies and resulting from this idea that experienced changes in business world has been expanded such that has parallelized and disabled current management frameworks. One of the most distinguished aspects of the delta model is that it helps how to determine the business strategic position and provides tools for achieving such position (Mehregan et al., 2004).

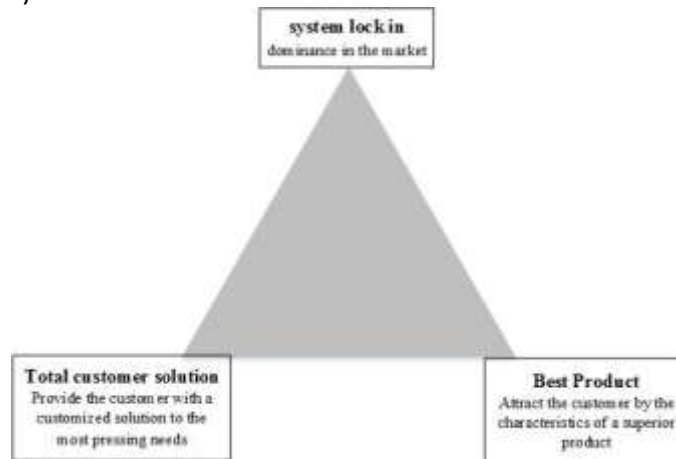


Figure 1: strategic positions triangle (Hex, 2010)

Making decision on the suitable strategic position may mean that the nature of this issue has been understood that how a company selects markets fitting it that can be mentioned as how the company decides on recruitment, making satisfied and retain customers. For meeting these requirements appropriately, Hex provided three strategic options in the form of a triangle. The triangle with such three options provides an inclusive solution for customers and system focus (Azaddokht et al., 2015).

The basic default is that the essence of strategy is to link deeply with customers. The core and axis of this link is customer recruitment, satisfaction and retaining. Three completely distinguishable strategic options have been identified for achieving this goal:

The Best Product

This strategy is focused on the innate specifications of the product. Thus, the strategy of the best product has inter-organizational and relatively limited nature. The lower cost and difference are two ways for achieving this position (Azaddokht et al., 2015).

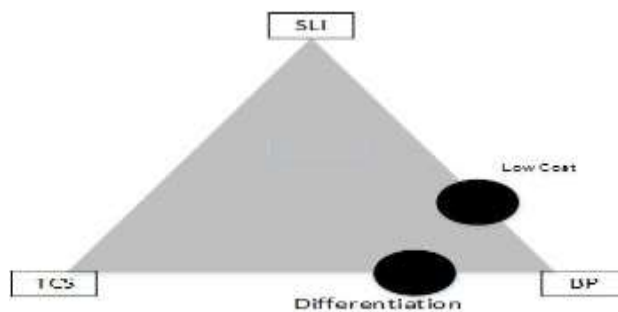


Figure 2: the best product strategy

Inclusive Solution of Customers

This strategy is based on the extensive supply of services and products such that if meeting of all needs of customers isn't possible, most of them can be met. This strategy is basically focused on the customer economy. Based on what said, the main criterion for assessing the performance of market share. In other words, the companies must approach closer to their customers making their products desirable for them (Mehregan et al., 2004). The starting point in this strategy is suitably compartmentalizing customers. It is required to have deeper knowledge from customers of business and how communicate them with our business. Moreover, the added value obtained and the link created are considerable. The general criteria for compartmentalization are as follow:

1. Customers' orientations and their inclination to our business
2. Different degrees of added value
3. Customer life cycle
4. Various patterns of purchase
5. Conformity to distribution channels

The final result obtained from this strategy is a unique valued suggestion for each customer that seeks improvement of cost, income and profit of customer. The inclusive solution requires three groups of activities that must be discussed simultaneously: redefining the customer's experience from contact to us, integrity with customer, horizontal spread (Hex, 2010).

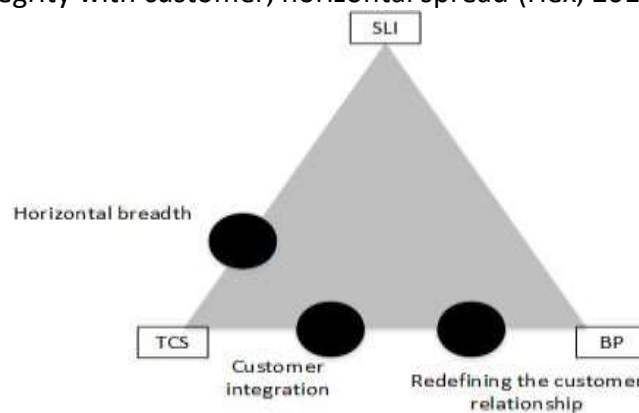


Figure 3: inclusive solution strategy for customer

Focus on System

The position of focusing on the system is seen at the vertex of the triangle. Participating to this strategy instead of limited focus on product or customer considers all organizations extant in this system that have their parts in economic value creation. The main point on the strategic position of focusing on the system is that upon reaching such position it is not lost easily because of network effects (Azaddokht et al., 2015). There are three ways for adherence to the system: dedicated standard, dominant moderate, and exclusive access (Hex, 2010).

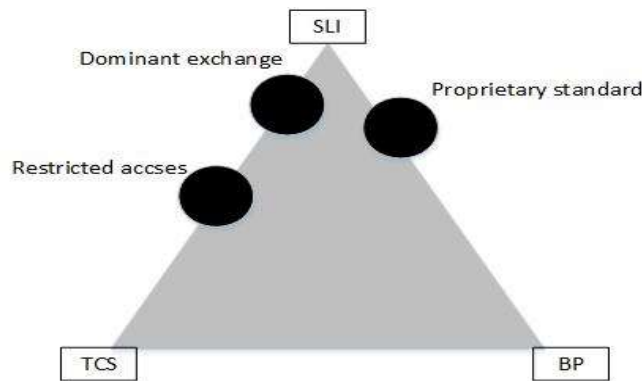


Figure 4: strategy of focusing on the system lock in

Delta Model

The delta model observing external space recommends market study, from one hand, and even recommends Porter's five forces model after modification as an appropriate and suitable approach and on the other hand, recommends study and conformity of macro processes with a strategic orientation observing the internal space. These processes are operational effectiveness, customer targeting, and innovation and finally, as Hex puts, what coincides internal and external spaces to each other and brings economic benefits from opportunities is the strategic orientation of the company that is a concept similar to that of Porter's general strategies. However, the delta model mentions the strategic orientation in three solutions given the network economic specifications (Ahmadi et al., 2009).

Aviation Industry

The aviation transportation sector is considered as one of the infrastructural foundations of each society and plays a major role in society development and sustainability. The first airplanes entered Iran in 1900s and consequently maintenance centers were established and found organizational structure with the inclusion of bigger and much heavier airplanes. Maintenance centers concerning MRO activities in the country include: IRI airlines (HOMA), Iran airline industries Co., State airline services company, Pars airline services, Fajr Ashian Company cooperating with French Sugermay Company, Mahan Company and Iran Airplane manufacturing company (Bahrami, 2015).

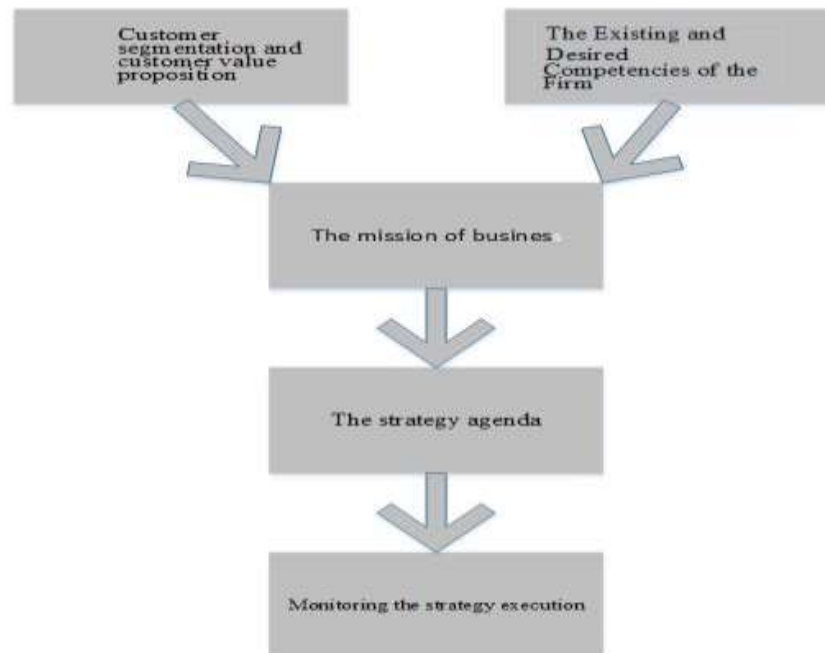


Figure 5: five strategic tasks of delta model (Hex, 2010)

Technical Services

The maintenance division is one of the main sector of each industry. It is important in certain industries that failing to respect it will put personnel in risk. Thus, in this cases it is more attempted to perform maintenance operations. One of the sensitive industries whose maintenance is much important is the aircraft industry. Enjoying standard methods and technical instructions that airplane parts manufacturers and maintenance planers provide, this industry have always airplane in service and guarantee airplane reliability (Jamali and Filizadeh, 2015). Airplane maintenance is investigations and inspections that must be performed in non-military commercial airplanes after a certain period. Airlines or other centers using such airplanes must have a continuous plan of inspection acceptable and standardized by FAA (Federal Aviation Administration), EASA (European Aviation Safety Agency) and TC (Transport Canada). An airplane is investigated and experimented several times during its lifecycle. These respire of the airplane may be calculated an planned based on useful approximate lifecycle, flight hours and cycle of landing and taking off and/ or combination of them.

(1) Inspection

The defects of machine can be detected observing with naked eye and inspecting sensitive points and assessing its performance including:

- a. Transient inspections
- b. Daily inspections
- c. Periodical inspections

(2) Adjustment

Generally, the manufacturing factory or commissioning team calibrate or adjust the device for working under special conditions. However, the initial adjustments impaired in some devices under vibrations and impacts resulting from device function or its performance nature. In other

words, the device isn't adjusted anymore. Therefore, the periodical adjustment prevent the device to be broken down.

Cleaning

Pneumatic and hydraulic systems of an airplane are exposed to contaminations resulting from raw material spill, fuel or oil leak, consumption oils and other contaminations. If a device isn't cleaned orderly, the contamination will be stocked on the device and will result in risks and dangers to the airplane (Felavarjani, 2014).

Research Methodology

The research method here is based on data collection method from descriptive type and surveying group (survey or field). First, for the purpose of knowing the research subject and collecting related data, library resources including papers, books and thesis were studied. Next, the required data of research from the research population including experts in service division of an Airline Company has been used applying collected interview instruments and for the purpose of analyzing qualitative contents with analytic content technic.

Results

Delta model stresses three categories that achieves a unique framework and methodology for making advantage in a correlated state with each other. This requires providing creative and time appropriate solutions. Conformability to the time and new conditions requires specific relationship with audience community, customer relationship and identifying customers' needs. This approach has a strong relation with management concept in small size as a basic of delta model that explains the deep customer relationship. In this regard, the issue of customer levels has been used as keyword in this section research. The most important task in this filed is necessity of guidance and orientation of the customers and attempt to provide creative strategies fitting customers' service needs. Thus, this section dealt grouping customers' level in six levels and prioritizing them with regard to effective serving methods. The six levels are:

- Sixth level: providing insurance service T_6
- Fifth level: technical specialized and basic training T_5
- Fourth level: providing parts (part and land equipment leasing and selling) T_4
- Third level: periodical service and repairs T_3
- Second level: overhaul T_2
- First level: advice for selling and purchasing airplane T_1

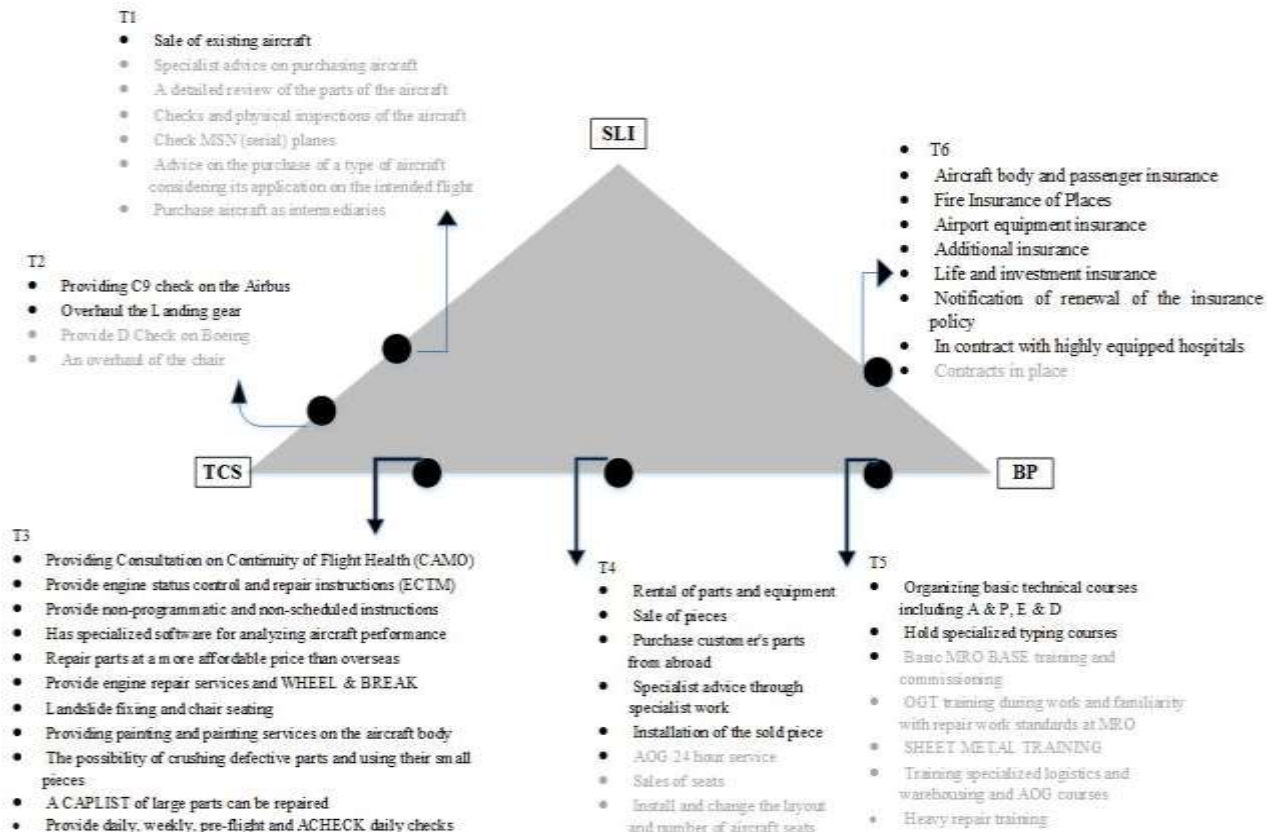


Figure 6: technical division delta model

As seen from the designed delta model, in strategic model of delta moving toward higher levels, the customers can enjoy the lower levels of services and more services in the higher level to retain them and make them loyal. The customers in this process accompany the company and enjoy distinguished services to link deeply. For example, the customer in level 4 can enjoy part supply services in this level as well as can enjoy services in lower levels including basic and technical and specialized and insurance services. The main assumption is that the essence of the strategy is to obtain a deeper link with customer. The core and principal axis of this link is recruitment, satisfaction and retaining customer. Therefore, it is by the aid of delta model and inclination criterion and customers' desire to ward our business that a strategic position can be obtained that in turn results in deep link to customer and retain the company in the competition status-quo and recruit and retain more customers which in turn will result in sustainable competitive advantage and financial performance.

Conclusions

In this research, business strategic opportunities were identified in a private airline using Delta model. This paper used the Delta approach derived from three studies Singapore Airline Company, Castrol Company, and Unilor food industry. According to Delta model, six levels were determined for customers with regard to improving aircraft maintenance and customer satisfaction. The customers are able to be satisfied by services in a level and more services in the lower levels and accompany the company. The company enabled to identify strategic

opportunities and recruit and retain more customers. Focusing on this model and customers' needs as well as obtainable capabilities in the future, it is recommended to identify other business opportunities in this area for achieving the peak of strategic opportunities of adherence to a system. It is suggested that the researchers in the future works to study other aspects of Delta model designed on airline customer services. Moreover, given the fifth task of Delta model, the strategy tracking through smart budgeting and important component for managers for implementing the strategy appropriately which is creating and planning a smart budget, it is recommended to deal smart budgeting in technical services model by the aid of efficient tools.

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