Chapter-7

Case Three

Acquisition of Airlines by Airways
1. Introduction to Organization

2. Organizational Culture

3. Organizational Culture at Various Departments

4. Post Mergers & Acquisition Cultural Interventions
Airways is the second largest airlines in India. It was established in the year 1992 being its head office at Mumbai. Airways is operating 400 flights everyday for 76 destinations across the world. The airlines has its secondary hubs at Chennai, Benguluru, Kolkata, Delhi, Kochin and Ahmedabad. The Rustidlso has international hub at Brussels, Belgium.

Airways was infact incorporated as an operator of air taxi in the year 1992 whereas it inaugurates it commercial operations with four flights in the year 1993. Further it started international operations from Chennai to Colombo in 2004. Airways is considered to be one of the best in terms of services and gave tough competition to government own Indian Airlines.

In March 2005, the Airways could become the first airlines to issue shares to the public. The Airways make its debut to NSE and BSE. The company sold 20 percent of its equity and raised Rs:1899 crore. The company was had plan to utilize the fund raised through public issue on repaying its debts and spent certain part of it on its expansion programmes.

Airways marketshare witnessed a sharp decline to 35 percent from 42 percent at the initial period of the year 2006. There had been disappointing growth at industry capacity level of 7 percent whereas the industry capacity had increased by 70 percent during that period. In 2003, had a market share of 44 percent and it was gone down to 33 percent in the year 2006. The Airways was losing its market share due to competition in the market by low cost carriers. This is why it was mulling over entering into low cost airlines through green field strategy. As it was difficult to create a separate low cost brand, thus acquisition was the one of the best suited options. The total expense for Airways during 2002-03 was 2928.54 crore, 2001-02, it was 2492.2 crore. The total revenue for Airways during 2002-03 was 2876.41 crore and 2533 crore in 2001-02.

Early Days of Negotiation

Airline was not doing well and decided to sell off the company if better prices are being offered. Thus it shown interest in selling off. Airways thus took interest and primary discussion
took place in an informal way. Later evaluations were made by both the companies in form of due diligence. The main focus was on financial due diligence as it happens in almost all M&A.

After financial due diligence by Airlines, the company decided to offer price of Rs: crore, which was agreed initially, but later after going through Airlines own due diligence, they were not very enthusiastic to take it further on same price as agreed earlier. Thus Airways decided to lower down the price because they felt that they are offering

As per the annual report 2008-09 of Airways, the domestic and global economic downturn has damaged the aviation industry and therefore cost cutting was implemented to minimize the ill effect of financial loss.

**Airlines**

The company had around 5400 human resources. The market share of Airlines went down from 12 percent in Jan 2006 to 7 percent in Jan 2007. The N Airlines was consistently making losses. After its incorporation, it operated in domestic market only. Airlines parent company was Noxas Group. Though, the team at Airlines was competitive but, due to policy issues and contemporary global scenario, Airlines was not doing well.

**Valuation**

E&Y did valuation of N Airlines at Rs:3382 crore whereas Airways valued N Airlines at Rs:2300 crore. It decided that only the assets would be acquired rather than liabilities. It was decided that liabilities would be borne by N Airlines. According to a report published in Business Standard, Airlines was in a loss of 37.75 crore in the year 2002-03.

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Acquisition of Airlines by Airways

In August 2007, the acquisition of Airlines by Airways was announced formally. The announcement took place 15 months after the agreement took place between the two. Airways bought 100% share of Airlines. In fact the agreement was under arbitration since June 2006. Airways paid 35% lesser price than the original.

The announce of buying out of N Airlines at Rs:2217 crore was made. However, the investors, analysts and experts started saying that Airways is paying too high for this deal. Airways had already paid Rs:500 crore as advance for this deal. A new deal was agreed at Rs:1450 crore where as Rs:900 crore was to be paid as upfront and rest amount was agreed to be paid in four installments of each Rs:137.5 crore. Airways pays its first installment of Rs:137.5 crore in the year 2008. The matter was also brought before court in the year 2009 for non payment of annual installment by Airways.

The Benefits of the Acquisition

- Dominance of parking bays.
- Cost saving of Rs:150 -200 crore was achievable according to analysts.
- Airways was the first private airlines which flew on international routes.
- Airways got a dominant market share of around 48 percent.

Airways strategic thrust was on operational synergy. There were differences in organizational culture. Airways was a professional organization and was aggressive to become market leader. Airlines was little comfortable and had limited flying. Its core business was not aviation. There were differences in administrative issues also like duty hours, pay & perks, compensation etc.
Mergers and Acquisitions Strategies

In April, 2007, Airways acquired 100 percent share of Airlines. The agreement of purchase was signed in Jun 2006. This agreement was under arbitration as was in dispute. Airways purchased Airlines share at 35 percent lesser what was decided as original price. The purchase was closed at INR14.5 billion.

Airways announced its plan to rebrand Airlines as Airways Lite, and decide to get it into operation as value based carrier, was offered reduced frills. This N airlines was above any other low cost carrier in India.

Airlines staff were placed for a period of 90 days. It was decided that Airways would work out on a new organizational structure during this period of 90 days.

Dispute

The matter was brought under Honble court of law, saying that the original buyout price was agreed at Rs:2000/- crore. Though Airways paid renegotiated buyout price that was Rs:1450 crore. Honble court was of the view that Airways was not liable to pay Rs:2000/- crore. Further the matter was brought to higher court and notice was served to both the party.

Airways offered its privileged membership earning for its fliers, this facility was not available for Airlines fliers. As Air Li Airlines was low cost and had lesser margin. Offering such facility was not viable financially.

Table- Showing Fleet Size of Airways, Airlines and Combined Fleet Size after Acquisitions

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<th>N Airlines</th>
<th>Combined</th>
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Source:Moneycontrol.com

**The New Entity**

Airways decided to rebrand Airlines as a different brand and use it as low cost airlines.
The Organizational Culture

The culture at two organizations were different in terms of behavior, norms, values etc. There was noticeable difference between operations of the two companies. In Airlines employees were not very guest oriented where as in Airways, the focus was on customer retention for which guest treatment was the priority.

According to Centre for Asia Pacific Aviation report

“Airways management is confronted by the need to create a new organization in Airways Lite, with a different philosophy from the parent. This requires investment in systems and training, as well as clear leadership regarding the core principles of the value based career. The Airways management has no low cost airlines experience, so that a priority will be to avoid repeating the cost structures and strategic thinking of the parent”

According to a senior management person in Airways who was actively involved in integration process,

“Employees of Airways were of the view that after acquisitions, the employees of Airlines will take share of our part in terms of appriasals, bonuses and other benefits. But, We convinced them that if they are coming they are not coming empty rather they are also bringing 26 aircrafts. So they are not going to be liability on us. Airways employees were more apprehensive about their present position, how the new hierarchy would be etc. Initially there had resistance but later by virtue of few communication strategies such as periodic meetings, emails and video conferencing, Airways employees by and large got convinced.

However, Airways management were initially apprehensive of poaching by competitors if an early integrations are not made. There was mutual agreement between the two companies that no employee would be laid off. In case any employee does not want to continue with new entity, Noxas will retain them in their group of companies. So this was done towards developing a sense of security towards human resources.

The concern towards poaching of human resources who were experienced and had technical education like engineers and pilots was high. Thus the post acquisition integration was a priority to Airways top management.

**Approval of Acquisition**

Board of Directors of both the companies

Employees of both the companies were communicated about the acquisition and approval of shareholders of both the companies. The communication was made through e-mail, letter and also meeting.

Human Resource Department was assigned to take care of acquisitions, the biggest challenge for both the airlines was the cultural integration. Airlines was a low cost airlines with different culture and from a group of companies. On the other hand Airways was an airlines company having its key area in aviation. The exposure to both the companies were absolutely different. Under such circumstances the company had a challenge to synchronize the structure.

There had been lay off of 1900 employees during 2010 and later the same was revoked as an outcome of an industrial action by employees. Employees of Airways came on road and started protesting. After rounds of discussion, company decided to retain those employees but looking into the income going down, the company decided to cut the salary of its many employees by 50 percent. This was a bit respite from bleeding badly by Airways.
The company started its operations and initially it attracted a large number of guests, in fact India had been a new destination where customers were to be offered an affordable package of travelling. This acquisition was an initiative of entering into a low-cost carrier market. It was matured with an objective to acquire and become the largest player in the market.

The main concern for the company from the very beginning was to bring about a synergy among employees and that too at the level of an acquired company.

The acquisition of Airlines by Airways provides it a domestic presence in India in a larger extent. While it also focuses on broadening its operations across the world. The challenges of this takeover are immense and also beset with the risk of downside in the short term. There was no scope of error and an early turnaround is coveted.

There had been risk of poaching technical staff like Aircraft Maintenance Engineers and Pilots by competitors. Therefore an early approach was expected from Airways Airlines. Though there had been a feeling of insecurity among employees of Airlines in terms of their retention, but they had been waiting and watching the course of developments during the process. Bombardier CRJs are on lease and there was high rental for that. The Airways had an option to return back the same and replace that with ATRs. This could have been provided uniformity with the fleet pool of Airways regionally. The newly created entity had to be operated in such a way that their operating and maintenance cost can be reduced at the maximum.

The risk of poaching has been high in this case and therefore top management was apprehensive and therefore the integration was an imperatives from the very outset.
Organizational Culture

The differences at the level of culture and operations were writ large and those could not have been brushed aside. The difference in organizational culture was apparent. Employees of one organization was different in their perspective from the other organization. The integration has been a challenge as the employees had a lurking fear that there may be lay off and they may lose their job.

Airways and Airlines should have at last deliver strategic gains through optimization of its wide network. The Airways should have to be ready for short term losses whereas the long term perspective must be to optimize the synergie. Airways has experience, expertise and excellence in airlines but it has failed also by acquiring Airlines. The newly created entity at the end of the day could not work and failed miserably. Of course this has also been a detriment to the brand value of Airways. The difference of perception may be seen through one example the way the guests are being received by two companies.

According to “The policy is clear on parking bays and landing slots, but does not specify the status of aircraft hanger, check in counters, cargo warehouses, passenger lounges and other such airport facility.”

There was an assumption by both the party that there would be automatic transfer of airport facility to the buyer once the deal is closed whereas this could not happen and resulted in utter disappointment across the board. Infact government has been expecting more such mergers and acquisitions in this industry and decided to formulate effective and efficient policy. Though no policy could be introduced till the mach and that was the time when Airways and Airlines deal failed. There is clear cut description of intangible infrastructure at airport and tangible infrastructure on website of ministry of civil aviation.

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Post Acquisitions Cultural Interventions

GM Strategy, who was in core team, says “There was cultural difference in two companies. Initially employees of Escort shown resistance. But from very beginning resistant was not very important to us. Freedom was given to employees of Escort”

Hospital has four kind of staff doctor, nurses, billing staff and front desk persons. We unified canteen as common canteen for all these staff.

Airways employees were scared of the discrimination in terms of promotions, subjugations and hierarchy etc. As per one of the senior HR manager “Employees in Airways were scared of this acquisition. There was murmuring that Airlines would be our liabilities, as they assumed that they would be dependent on parent company for compensation etc. There was gross confusion among them regarding restructuring. Some of them were apprehensive that some of employees of Airways may have to leave the job. Junior employees were more apprehensive in case they have to report to any of the seniors from Airlines”

According to one of the key members in integration programme “Management was not very narrow in its perspective while enduring cultural differences, since they were of the view to equate the differences as this was identified as most important for achieving synergy”

Culture at Airways evolved to serve a focused customer segment. This was towards providing various services with luxury flying. It was of course not a chep fair culture. Thus it also influenced the perspectives in organization. Employees were paid as per industry standards and therefore Rustidlso focused on talent acquisition. There was consistent training to upgrade the skills of human resources. Company was introducing new its flights in new sectors to acquire more businesses of course the prime objective was to enhance the market share and profitability. Giving fillip to this, it treated its customers well to pull them back for next flying. Guest welcoming was major cultural value along with talent acquisitions, automation, updations and training regularly. There was no case of resistance among employees reported till date.
The culture in various department were specific and exclusive. Airways always responded to queries of any of the guests and tried its best to resolve the issue. Call were recorded internally for audit and monitoring purpose. These inputs were used to improve interactions with guests.

In operations, Airways always focused to operate on time and also smooth take off and landing. During any critical situation or emergency, Airways had a line of safety methods, which were being followed. On ground also staff were trained and experiences. This helped in reducing grounding time of Airways flights.

**Post M&A Structure**

Top management had in fact clear view on post acquisition interventions. The integration strategy was though chalked out with senior management but it was decided that middle and junior management would also be involved in its implementation. The one distinguished philosophy was that each employee would be heard. Thus HR team was very serious on any issue being raised from employees irrespective of the fact whether he is a senior or junior executive. This treatment was soothing and started melting the ice among employees who felt foreign and unknown to new culture.

Human Resources though played a major role in integration mainly cultural integration. However, the interventions were used as problem came in. But HR was instrumental in problem solving and their implementation. According to Vice President-Human Resources,

> “there was skill gap and therefore you can not equate two employees on same position to perform at same level, infact the organization now was same, position was same but the learning for both of them were different. This is why they acted in a different and diversified way”

CEO was also directly involved in cultural integration after acquisition, but his involvement was mainly at the guidance level, apart from him there were other senior people also who assisted the entire integration process. In fact Airways had no previous learning on integration. Companies which have exposure to integration in past are are prone to understand the complexities involved in cultural differences in M&A. Being its first case of this type, the different in views were
Employees of Airways were not happy with decision of acquisition from the very outset and that emotion continued to impact the integration process. On the fillip side, the employees of Airlines were apprehensive of lay off, ill treatment and discrimination.

According to Head Operations of Airways, “There were conspicuous cultural difference and we slowly integrated the culture. But there was no imposition and maximum thrust was to win win situation rather then win lose state."

Since, a new brand was created after acquisition by Airways, the newly created brand was to operate as low cost airlines. The objective of introducing LCC was to grab the emerging lower middle class market in India. The Integration strategy therefore was worked out carefully and a consultant was hired for this integration process. Their focus was to bring about synergie. However, the difference at various level was prevalent and that was a challenge for the management. Efforts were made to assuage the resistance and address the grievances but since the two entity had difference at various parameters, it was really a distant dream to integrate. This altogether made the process complex and cumbersome. By and large, management perceived the cultural difference only in terms of operations whereas it was difference at finance, human resources etc.

**Approval of Acquisition**

In the year 2007, approval was received for acquisition of Airlines by Airways. However, the legal approval was though done but the informal approval was considered much before it happened on paper. The integration process there was in the process and both the company started thinking in terms of cultural differences and ways to minimize it. Initially employees in the Airlines were of the view that they might have to work under the guidance of seniors from the airways therefore they were apprehensive of a foreign behavior. This happens in such cases. The major considerations in this decision were an intention towards cost reduction, joining assets, removing duplicate activities and trimming irrelevant resources.
Operations

In operations, Airways was a descent luxury aviation company. The cost on operation was comparatively high in Airways. The maintenance and frill were also expensive. There were more complexities involved in operations of Airways right from booking to exit of a guest a airport. At every point, guest welcome was privileged. Thus the operations were to be in tune with guest satisfaction.

According to Operations Head of Airways

“Operating culture in both the companies were different, though roles were by and large same but the quality of the roles were different in each organization. The skill level was also different to perform that role. Therefore there was tedious task to align the operational culture of the two organizations. While integration, the alignment of skill was not possible and for this proper training and time was required. Thus it was understood that integrations at operational level can not be synergized in one day rather it can be encouraged. The entire operations was minutely monitored and a time bound program was developed for cultural integration”

IT

IT was different in two. The main difference was their reservation system. Airways introduced the later into its IT system. This brought dissatisfaction and apprehension among employees of Airlines, mainly those who were in IT. While integrating the IT, employees at Airways studies the IT system of Airlines carefully and their attributes were brought on its software. Reservation thus was made more easier and guests were more informed as used to happen in Airways. IT culture thus were completely different and therefore integration required change in skill set. Employees working in Airlines needed new skills. Since Airlines had an agreement that their employees would not be laid off rather they would be redeployed in case Airways finds any job duplicity. IT personnel were given opportunity to opt for Noxas Group (Parent Group of Airlines) in case they were not willing to acquiesce to requirement of Airways IT culture.
As far as characteristics in IT system of airways was concerned, it was prompt, easy to handle and fast. It offered easy access and updating. Whereas these attributes were not same in Airlines. This is why Airways had no option but to bring about Airlines employees in line with its culture. Thus integration in IT culture was planned and the prevailing culture at Airways was given privileged. Cultural integration IT therefore was daunting task and it took communication efforts too as employees of Airlines were persuaded and convinced that the earlier way of IT has been changed and Airline will now follow a new culture, which needs to be integrated by all of others.

According to a senior Manager directly involved in integration process “Employees in both the companies were confused about their career development, hierarchy, compensation etc. Airlines had given liberty to its employees as job security was there even in case of acquisition, but despite all these employees were apprehensive of a new situation and cultural interaction. They were mainly not clear about what would be the new hierarchy, what would be the compensation, would it be equated with the acquirer. On the other side, in Airways employees were unhappy about acquisition, as they presumed that Airlines would be a liability on asset of Airways, hence they were critical of this acquisition. They resisted and questioned the managed peacefully that why they are being allowed to come in as they are not doing well. Since airways might have to share its profit and that might have affected the entire employee fraternity.

In certain occasion, it was felt that employees in Airways were having feeling that they were superior and this feeling continued for long. Management had to work hard to melt this and it was not completely worked out. Though they were convinced that employees of Airlines are not liabilities, rather if they are coming, then they are also bringing aircrafts. This somehow made them partially convinced.

In a new structure, there was confusion initially whether employees of Airlines would be allowed to be on flights of Airways or not, but this was not a case. With specific strategies, management, it was decided that they would be allowed to be on board. This was significant move and helped a lot in ice melting.
There were few cases of job duplicity; such cases were reduced as Airlines had an agreement with Airways that their no employee would be laid off. Thus those who were surplus due to job duplicity or any other reason were redeployed in Airlines parent group. They were given option work in other companies of Parent Group of Airlines. In case of this acquisition, the issue of job security was therefore addressed and taken care off by the merging company.

**New Entity**

With acquisition of Airlines, a new entity Airways Heavy was created as new brand. This was brought under control of Airways but Airways Heavy was introduced as a low cost airlines. This was introduced with an objective to grab the emerging market of lower middle class passengers in India. The corporate office was kept at Airways only. The employees in new entity were employees of Airlines and they were separate from Airways. Though a new structure was created.

**Human Resources**

Culture in Human Resources of two companies was distinct and different. Human Resources in Airways was based at Mumbai and well exposed to industry. Since Airways was a professional company, it was focused on talent acquisition and skill up gradation. Airways had developed recruitment policy in which they used to follow, campus, reference and advertisements. They also used portals etc for recruitment. As regards training, Airways often organized training programs and recently they also focused on assessment centres. The major focus of Airways was to retain key talent. For this descent pay package were offered. They loyalty factor was higher in Airways and employees were working since long in this company.

According to Senior Manager, Human Resources,

“We believe in upgrading and developing our existing human resources. We do not believe in pomp and show when it comes to recruitment. We rather believe to groom existing manpower and average manpower who are ready to work hard. This is the reason you would find
employees working since last several years in our company. We have workforce diversity and they are the core of our performance. We provide a comfortable culture and employees have liberty to speak up if they required over any issue”.

Culture in human resources such as training culture, appraisal, discipline and others were different in both the companies. There were efforts to integrate as per norms in Airways and that was seen as daunting task. Other activities in HR such as payrolls leave, bonus, compensation etc were integrated but the compensation was different in terms they were not equated as per the parent company. This was not one of the possible interventions and does not happen in amalgamations at large. But leave, pay roll etc were made common. The unequal pay has kept employees of Airlines as feeling discriminated as per a senior HR person

”We are working towards bring maximum satisfaction and synergy, we would also try to equate the compensation but it would take time, moreover, the both are two different entity”

The role of HRM was perceived as strategic in post acquisition integration process mainly cultural integration as the maximum planning on cultural integration floats from this department. Thus HR team were more involved and informed also. The onus on them regarding creating alignment was high and the top management involved them after acquisition. As regards employee interaction, HR is seen as a bridge, therefore they were perceived as source of communication. HR also helped in understanding the cultural differences thus cultural shock to some of the employees and proper counseling were provided to such employees so that they could get settled.

HR had to make more efforts and therefore they were accountable to this process. According to a senior HR team member, “Management after acquisition threw the responsibility on us to drive the team, to integrate them and to make them work. They encouraged proper reporting and immediate interventions towards cultural integration. Employees were apprehensive because of different cultural aspects, HRM in this case played a pivotal role by making them feel comfortable and convenient to work with”
Finance

Finance is one of the key areas which played a crucial role right from decision of acquisition to integration. Acquisition of Airlines and decision of it to sale was an outcome of financial strategy. Both the company was willing to perform better and therefore this deal was finalized. But before acquisition, there happened a pre M&A interaction which was based on finance. A pre merger evaluation had already taken place. Airways management thus decided to go ahead for this deal looking into financial perspectives. Though company consistently made loss after this acquisition and the loss in the year 2013 was 779.80 crore.

Culture in finance side was widely different in both the companies. This is so because in Airways had core competency in aviation whereas Airlines was one among group of companies. Financial perspectives therefore in Airways was more focused towards integrating those competencies so that goals can be attained. In case of Airlines, this was missing because the group was working towards attaining group goal through various companies’ performance.

According to VP-Human Resources, Airways

“Company had its developed accounting system and decided not to bring about any change in that whereas, the accounting system of Airlines was integrated and aligned. The alignment was not so easy as there happens to be established culture of practicing certain norms in any accounting system. Thus gradually those were changed and it took time and efforts of seniors for to create desired change. Just after acquisition, employees in Airlines were practicing the same old norms and they were not forced immediately to follow any change, whereas through various sources of communications, workshops and meetings they were convinced and educated to follow a new pattern. This was a planned exercise and was percolated down mainly by a team which involved HR professionals also”

Culture in in finance was specific and that evolves with the pace of time. In cases of M&A, companies focus on existing culture and do not wish to tamper with established norms and practices. While integrating usually the practices and norms of acquired Rustidre being
subsumed and norms and patterns of parent organization was introduced. This is an usual practice.

While evaluations also, companies evaluate as per their patterns rather than a new pattern. In case of Airways also, they went by their own evaluation process, they did not go by Airlines evaluation proposition. Thus the main concern was to go ahead with existing cultural values and not to lose own patterns. This was the guiding principle while integration and was religiously followed in this case. In fact there were concerns on aligning accounting system and this process was troubling because this changed the accounting process of Airlines in totality. The efforts were made to bring maximum synergy rather than any loss of alignment. Though there were some resistance also and those were matter of grave concern from very beginning. The integration team confronted many challenges in this process especially in financial integration of organizational culture,

**Employee Relation**

Employees relation was a delicate issue in this post acquisition cultural integration exercise. In fact, employees of Airways even after acquisition went out to protest against a mass lay off. Employees came out on road and register their resistance. There were absence of coordination initially. This is because there is no format of norms and patterns practiced earlier by each other. In such circumstances, a situation of normlessness emerge sometime. The change in top management pushes a new communication system and that brings fresh employee relation. In fact values and ethics also change as regards the employee relation. In Airlines there were too much emphasis on employee welfare because its parent company evolved from a small organization. In Airways, this was not the situation, it was into aviation and started operating in a more advance and modern way from very beginning. Thus employee relation in Airways was see with a perspective of talent acquisition.

In view of a Senior Manager

"Employee relation was seen in terms of talent acquisition, the stress of employee relation management was to retain key talent and not to lose them somehow, so the focus was on
retaining the human resources, since Airways top management always believed in proposition of learning organization, hence its role towards employee satisfaction becomes paramount. Thus its more modern and justified. Though management here never realized that there could be resistance and protest on lay off and salary cut. However the decision indeed was taken under compelling circumstances due to financial downturn in domestic market and also in global market. This triggered an attention of management that there should be some ways to work out in critical employee relation situations. As management was completely nonplused by the developments that took place during outside protest and resistance by employees. This not only worsen the employee relation but also might have an impact on brand image of Airways. However the knack of top management drive the organization out of reputation woes but still lot of work was awaited on employee relation. The immediate intervention to retain the employees was an intelligent decision and that was because of years of experience of top management and their exposure to external situations. Employee relation did not take uniform shape initially just after acquisition, but with the passage of time, through various interventions, it was stabilized in both the organization”

There was absence of developed employee union but there were some affiliations and subscription to those ideologies. This was never observed and while taking corrective measures during 2009, the company had to face wrath of such formations. Though such foundations became stronger after coming in contact with external agencies, but there was need of better employee management in the company.

**Marketing**

The marketing culture was also different in two company. Airline was traditional and the emphasis was to provide travel on time. On the other hand, Airways gave stress on guest relation and retention. The marketing was being done in such a way that maximum satisfaction to a guest can be provided and the customer come back next time. As post acquisition cultural integration, Airways completely acquired the marketing norms and practices. It started pressing its established norms and practices.
According to one of the Senior Manager “The sales was the driving factor and Airways used Airlines as a new low cost airlines. With an objective to enhance its market share it aligned the marketing style of Airlines with Airways. Though least characteristics of Airlines marketing were retained. Though the acquisition brought a number of new guests but the staff of Airlines had to learn immediately attributes of Airways marketing. Thus marketing was mainly driven by Airways team and that too was an urgent need to achieve the synergy”

Communication was significant in two organizations; in Airways it was more open than that of Airlines. The management was accessible and there were employees who were working since last several years. Employees were rather loyal and their existence was well respected by Airways. The communication was through emails, formal meetings, workshops, dinners, picnics etc. Airlines too had many of such attributes of communications but Airways used it in a more developed way to bring about cultural integration.

Communication played a pivotal role in aligning the culture, though new mail id of employees of Airlines were created in the name of Airways, a new structure were introduced and employees were communicated to follow those. According to HR Head” Airways just after acquisition, introduced newsletters, emails, workshops anad formal and informal meetings for bringing cultural synergies. Initially there had lot of confusions and suspicions among employees but with the help of proper communication strategies those were addressed.

In marketing, still after acquisition, there had been different strategies for two entities. This is so because the customer segment were different. Thus two different marketing strategies worked. At this level there was no integration. Rather difference was deliberately allowed. This was an imperative to optimize synergy.

**Performance of Airways and Airlines Three Years before Acquisitions**

The performance of Airways in 2004-05 to 2006-07 was good but entry of new players in the industry raised the concern for the company. Airways decided to formulate long term strategies and started looking for new alliances in terms of mergers and acquisitions. The upcoming low cost market was a lure for all new and old entrants. Under such line of thinking, the management decided to look for possible acquisitions. Kingfisher was already in discussion with Air Deccan
and this was causing too much concern to Airlines. There were lessening profits and income of the company in recent years. The action to enhance the market share was indispensible for Airways.

On the fillip side, Airlines was also not performing well. It was concerned about its losses and realized that being present in airlines is not a fair idea. Thus it decided to opt for sell off. Though there were lot of weighing and there were stages in discussions when it was felt that there would be no deal. But the thick offer by Airways created a new situation and Airlines decided to go for this deal.

**Operations**

Much of the difference in operating culture of two entities was observed. Airways was concerned about its brand building and Airlines started focusing at finding ways to reduce increasing operational cost. Operations were also different. After acquisitions, the operations were different. But integration at IT level was done. This is so because we need a centralized data management system.

According to Head Operations “*Much of the difference in operating culture of two were seen, there were delays in Airways Lite and also the treatment with guests were different initially. We introduced common guest welcome format. We also trained the crew differently so that maximum flying satisfaction can be created*”

Airways were very particular about time, communication and also guest relations. The model of these airlines was developed for premier guests. A different crew was placed on Airways understanding the fact that the need of premier customers must be different. Breakfast and lunch were served with water etc on board for guests.

The entire operations were targeted at retaining a guest rather than just boarding and landing him at destination. So it can be said that Airways perceived the operations as one of the key strategies for business relations.
At operational level there was least integration but yes at operational monitoring, controlling and IT, there were integrations. The reason for continuing the operational difference was that both the entity was being treated differently. Thus their operations were also different. Though there were certain code of behaviour which were synergized. These were symbolic and indicator of Airways. Like welcoming a guest, introducing over phone and also at boarding and in flight, a common method was used.

Proper work in providing on time flight to guests was done. Efforts were made to avoid delay in takeoff and landing. The least wait on airport policy was adopted. This also helped in cost cutting. At monitoring level the operations were different, therefore uniform monitoring system could not have been introduced. Say for example among few tasks involved on board is to welcome guests, to provide them water, to provide them breakfast, lunch, but providing free breakfast and lunch was not provided as a facility in Airways Lite. Hence while monitoring theses tasks were not connected.

**Physical Environment**

Earlier both the airlines had different counters, different billings and logo. It was decided to integrate that. The motive behind this integration is to cut the cost. There was duplicity of jobs indeed. So at many airports and locations, Airlines counters were converted into . The boards of Airlines were replaced. The colours of fleets were changed and the new name as Airways Lite was written on those flights. Change of name in boarding and tickets were also introduced. The physical integrations is a key issue in airlines business.

The physical change was witnessed through using new name by Airlines as Airways Lite. The use of new dress code and timings were also seen as key ingredients of change in physical environment.