

Selecting a suitable framing of the issue: Iberia case example

We have generated a lot of ways to frame the issue – some quite broad and others quite narrow. Collating these from the previous pages, potential framings include, How to...

- Broad framings
 - Maximise long term shareholder value
 - Create a competitive global airline
 - Serve the travel needs of the Spanish people
 - Serve the needs of the inter-continental traveller
 - Avoid competing with low cost carriers
 - Compete on quality of service not cost,
 - Raise sufficient capital to continue to grow
- Second level framings
 - Grow inter-continental
 - Protect domestic
 - Win in Europe
 - Create a leading business class European Airline in Europe
- More narrow framings
 - Withdraw from Europe while retaining the feeder network
 - Cut costs to be competitive
 - Launch a low cost airline
 - Become one of the top ten globally for the quality of service for business customer
 - Grow the Latin American business

Each of these ways of framing the issue will lead us to focus on a different range of options. If we want to consider the widest range of options, then we should use all these framings to generate as many options as possible, and then evaluate each one. In practice, we often want to narrow the frame down so that we can focus on generating a more focused and useful range of options that are at an appropriate level of detail.

To do this, there are two approaches. One is to pick frames that meet the mission and objectives of Iberia. From earlier, we described the mission as consisting of a purpose – “to provide world class air travel to and from Spain”, with the strategic objective being to establish “a broad range of international destinations and levels of service”. The frames can be evaluated on the basis of this mission as follows:

- Broad framings
 - Maximise long term shareholder value. Not clearly linked to the mission. Shareholder returns may be a constraint in that a certain level has to be achieved – but is not an objective in itself according to the mission.
 - Create a competitive global airline. Too broad
 - Serve the travel needs of the Spanish people. Too broad.

- Serve the needs of the inter-continental traveller. Does not include all the international destinations i.e., within Europe.
- Avoid competing with low cost carriers. Too narrow - will not guide Iberia towards its goal.
- Compete on quality of service not cost. Too narrow.
- Raise sufficient capital to continue to grow. Not clearly linked to the mission. May be a constraint.
- Second level framings
 - Grow inter-continental. Too narrow (does not include Europe)
 - Protect domestic. Not necessary to “protect” domestic market to meet the goal – although it may be necessary to have an adequate feeder network in the domestic market.
 - Win in Europe. Too broad a goal.
 - Create a leading business class European Airline in Europe. Too narrow.
- More narrow framings
 - Withdraw from Europe while retaining the feeder network. Not consistent with the mission.
 - Cut costs to be competitive. Too narrow. May be required – but not the goal.
 - Launch a low cost airline. Too narrow. May be required – but not the goal.
 - Become one of the top ten globally for the quality of service for business customer. Too narrow.
 - Grow the Latin American business. Too narrow.

By reflecting on the mission we realise that none of the potential framings generated quite work! We need to narrow some of the broader framings, or broaden some of the more narrow ones. For example, we could frame the issue as “How to create an international airline, with competitive costs and levels of service, serving Spanish business and leisure customers”. We can also add some constraints e.g., “while generating attractive returns for shareholders and retaining access to passengers to an adequate feeder network”.

The second approach is consider which best reflect the pathways available – i.e., which are most practical. From our earlier analysis, it appears that anything requiring a major investment in the European airlines business, particularly the leisure segment, will be unattractive. The main areas for profitable growth are in the inter-continental markets and Latin America in particular. We might then change our current framing from:

“How to create a international airline, with competitive costs and levels of service, serving Spanish business and leisure customers - while generating attractive returns for shareholders and retaining access to passengers to an adequate feeder network”

To

“How to create an inter-continental airline, with competitive costs and levels of service, serving Spanish business and leisure customers - while generating attractive returns for shareholders and retaining access for passengers to an adequate feeder network within the domestic market and across Europe”

During the process of coming up with alternative framings, we also identified some potential constraints (Maintaining critical mass, Serving the air travel needs of a broad section of the Spanish population, Investing no more than X Billion a year and Generating an 8% return on assets).

We can now consider if any of these need to be added to our framing of the issue – as our consideration of available pathways will cause us to reflect on these:

- Maintaining critical mass. Yes, this is a constraint. But our ambitious mission means that Iberia is likely to maintain critical mass – so is not an important constraint to focus on.
- Serving the air travel needs of a broad section of the Spanish population. This is included in the mission and thus the objective.
- Investing no more than X Billion a year. This is a significant constraint because our ambitious mission could come with an expensive price tag.
- Generating an 8% return on assets. We have already included something similar (generating attractive returns for shareholders in our constraints – so we don't need to add this.

So, the only constraint to add is a limit to the capital expenditure (although we cannot tell from the case what the precise limit should be). We can now finalise the framing of the issue as:

“How to create an intern-continental airline, with competitive costs and levels of service, serving Spanish business and leisure customers - while generating attractive returns for shareholders, restricting capital expenditure to £X billion a year, and retaining access for passengers to an adequate feeder network within the domestic market and across Europe”

Overall, by using these two approaches, and adjusting our initial list of framings, we have generated a way to frame the issue that our strategy has to address which, in Victor Hugo's words, will allow “fact and dreaming” to meet.