

# COVID-19 AND BUSINESS RENEWAL: LESSONS AND INSIGHTS FROM THE GLOBAL AIRLINE INDUSTRY

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## **Abstract**

The emergence of the COVID-19 pandemic has adversely affected the fortunes of multiple companies around the globe. Accordingly, questions are increasingly being asked about how organizations can revitalize during and after a crisis. Yet, we have limited understanding of how organizations renew themselves during crises over time. We explore this question through the lens and examination of two South-Asian airlines: Pakistan International Airlines and Sri Lankan Airlines. The cases offer important insights into the reasons behind underperformance of state-controlled enterprises and renewal activities. We shed light on strategic renewal (SR) in the wake of increasing liberalization and deregulations in the global airline industry. To this end, we propose a four-stage approach towards renewing such underperforming organizations to respond effectively to black swan events and external shocks.

**Keywords:** state-owned enterprises; COVID-19; strategic renewal; external shocks; airlines; emerging markets; Pakistan; Sri Lanka

## 1 INTRODUCTION

Accompanying the COVID-19 pandemic are over 72 million coronavirus cases and over 1,615,191 deaths, and counting, across the globe (Worldometers, 2020; World Health Organization, 2020). The pandemic has triggered a wave of bankruptcies of small and large businesses not only in advanced economies such as the US and UK, but also across the developing world (Amankwah-Amoah, Khan & Wood, 2020; Mathurin, Aliaj & Fontanella-Khan, 2020). Indeed, in the US a record number of large companies have filed for Chapter 11 notwithstanding trillions in government support surpassing the 2009 levels during the global financial crisis (Mathurin et al., 2020). The prolonged impact of COVID-19 is exemplified by the weakening position of businesses and high risk of business failure with attendant long-term social and economic challenges. The COVID-19 pandemic has altered the industry landscape (Sheng et al., 2020) and reshaped consumer buying behavior (Mathurin et al., 2020) extensively. The situation urgently calls for strategic renewal (SR) to improve organizational resilience and survival. Yet, we lack insights into how history can inform our understanding of how organizations renew during times of extreme crisis coupled with multiple external influences and shocks. In an increasingly interconnected world typified by surging global competition and a rise of digitalization (Brynjolfsson & McAfee, 2012, 2017), survival has become a struggle for underperforming companies.

The COVID-19 pandemic and the effects on the existence and survival of multiple companies around the globe is raising questions as to how organizations can revitalize during and after a crisis. Interestingly, the unexpected COVID-19 pandemic led to the collapse of airlines in the immediate aftermath (Amankwah-Amoah, 2020b; Rosalsky, 2020). The COVID-19 pandemic has so far led to the collapse of multiple businesses in all corners of the globe including government-backed and privately owned businesses (Amankwah-Amoah et al., 2020). Although there are calls from the popular press and scholars for firms to be renewed, relatively limited sustainable reforms can be achieved until the pandemic is under control. It is also noteworthy that such external issues can

affect some industries more than others. The pandemic has had a devastating and potentially long-lasting effect on the airline industry, far more than other industries.

The objective of the paper is to examine how organizations renew themselves during crises over time. In this paper, we offer lessons from history on how some organizations have managed to revitalize themselves in spite of such unexpected constraints in the business environment. We utilize the cases of two contrasting South Asian airlines: Pakistan International Airlines (PIA) and Sri Lankan Airlines (SLA)—ailing state-owned airlines—to illustrate our analysis. Bloomberg (2016) dubbed PIA as the “world’s most overstaffed airline” and the “world’s least-productive national carrier”. This was exemplified by the fact that the airline’s 15,000 full-time employees generate around 61,000 rupees each year (\$585), the lowest of the 72 listed airlines, thereby making it the world’s most overstaffed firm (Bloomberg, 2016; see also Chong, 2016). It is worth noting that in 2006, the government had a 92% stake in the airline with the employees controlling around 3.9% (Bloomberg, 2016). From 2010 to 2015, the losses of the airline more than tripled to 27.8 billion rupees (Bloomberg, 2016). At the time of writing, the airline’s future remained uncertain with both the government and the trade union struggling to shape its strategic direction. Our contention is not that state-owned enterprises (SOEs) should disappear from the global industry, but rather we concur with those who view them as a suitable case for special treatment (e.g., Zhou, Gao, & Zhao, 2016).

The article contributes to the literature in several important ways. First, we contribute to the contemporary management discourse on the effects of the COVID-19 pandemic on business activities (Khan et al., 2020; Sheng et al., 2020) by shedding light on two international organizations: Pakistan International Airlines and Sri Lankan Airlines, weathering the crisis and attempting to renew themselves. Second, building on existing literature on SR (e.g., Agarwal & Helfat, 2009; Eggers & Kaplan, 2009; Riviere & Suder, 2016; Volberda et al., 2001), the article offers a four-stage approach towards developing a new understanding of revitalizing firms facing

extreme shocks and black swan events. Lastly, although research on SR has surged over the last decade (cf. Agarwal & Helfat, 2009; Schmitt, Barker III, and Raisch, 2016), limited attention has been paid to organizations, particularly SOEs, operating in emerging or developing economies—the case in point is Pakistan and Sri Lanka. We contribute to the literature by responding to recent calls to integrate “history into international business” and organization studies research (Buckley, 2020, p. 1) by offering important insights from PIA and SLA, which are from two of the least studied countries by international business management scholars.

In the remainder of this article, we first provide a background on the historical evolutions of PIA and SLA. We then outline an integrated range of factors that have stifled SR efforts. We then summarize the problems of the airlines and outline a four-step approach towards renewal of such organizations.

## **2 STRATEGIC RENEWAL AND CAPABILITIES AFTER CRISIS**

Our theoretical underpinning revolves around two streams of literature: SR and dynamic capabilities (DCs). Broadly speaking, SR refers to the activities undertaken by a firm to achieve success or change its path dependence, which ultimately prolong its existence (Lewin & Volberda, 1999; Riviere, Suder, & Bass, 2018). SR activities often commence after experiencing turbulence in the business environment (cf. Crossan & Berdrow, 2003; Eggers & Kaplan, 2009). Increasing global competition now means that private or state-owned companies must renew themselves to remain competitive (Amankwah-Amoah et al., 2017; Osei et al., 2019). Such renewal has been accelerated by the rise of digitalization, which in turn enables firms to improve processes via capture of widely available intangible knowledge assets. SR refers to the utilization of an organization’s underlying resources and expertise to respond to emerging challenges in the business environment. Prior research has indicated that a firm’s SR activities are driven by a number of internal and external forces (Al Humaidan & Sabatier, 2017; Amankwah-Amoah et al., 2017;

Volberda, Baden-Fuller, & Van den Bosch, 2001). The internal forces include financial mismanagement, depletion of resources, and lack of skilled employees.

The external factors include changing consumer behavior, new sources of competition, and changes in government industrial policy. Thus, SR encompasses managerial initiatives taken to ensure that the firm's resources and expertise are marshalled to respond to the external forces (Knott & Posen, 2009; Kim & Pennings, 2009). As Volberda et al. (2001a, p. 162) observed, "The ideal emergent journey of renewal is rooted in the assumption that managers believe that they should be essentially outwardly oriented or passive; their role being to amplify market forces and market signals". Renewal entails developing new sets of capabilities to innovate and transform an organization.

By DCs, we are referring to those capabilities through which organizational leaders and managers "integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al., 1997, p. 516). Through DCs, firms can sense, seize opportunities, and reconfigure resources and capabilities for the development of competitive advantage (Teece, 2007, 2014). Helfat et al. (2007) suggest that DCs are search, selection, and deployment capabilities through which firms can outperform their rivals. DCs are the higher-order capabilities compared to operating capabilities that are needed for the performance of routine tasks (e.g., Helfat & Peteraf, 2009; Helfat & Winter, 2011). Firms' ability to reconfigure their resources and capabilities continuously to address environmental threats is at the cornerstone of DCs (Teece et al., 1997). A pivotal feature is firms' ability to take advantage of existing limited resources and expertise to innovate (Rumelt, 1987). Past studies have demonstrated that human resource practices are unlikely to lead to sustainable competitive advantage given that they can be copied by rivals. It is, rather, the mobilization and integration of the knowledge, skills, and expertise of employees to design and implement policies to respond to or neutralize external threats that are responsible for sustaining competitive advantage (Hitt, Ireland, & Hoskisson, 2015; Wright & McMahan, 1992).

Past studies have suggested that CEOs' perceptions and interpretations can lead to situations where firms in the same industry adopt entirely different renewal journeys and activities (Al Humaidan & Sabatier, 2017; Schmitt et al., 2016). To improve performance or reverse decline, SR may lead to the termination of or formation of new strategic alliances (Amankwah-Amoah et al., 2017). Alliance as a component of SR is often geared towards accessing new resources and networks to improve a firm's competitiveness. Based on these arguments, it is suggested that firms would chart different paths to SR. Thus, it entails an evolutionary process (Floyd & Lane, 2000), and also path dependent (Volberda et al., 2001).

Activities in government-backed organizations, particularly in the context of emerging and developing economies, are relatively underexplored. Most of the existing research has examined SOEs mainly in the context of China (e.g., Ahlstrom & Bruton, 2010; Peng et al., 2016). In China, the economic environment is quite stable compared to Pakistan and Sri Lanka which have faced incidents of terrorism with related government inefficiencies that inhibit renewal of SOEs. In this context, it is vital to understand the SR of firms operating in highly unstable environments. Although corporate failures and organizational declines are possible outcomes of an increasingly digitalized global economy (Amankwah-Amoah, 2016a), few studies have sought to examine underperforming companies against the backdrop of external crises. Thus, this study fills this void in the literature.

### **3 METHOD AND DATA COLLECTION**

Following Yin (2008), we utilized multiple sources of evidence to demonstrate how SR has unfolded in the two organizations (PIA and SLA). Such case studies are particularly useful when seeking to develop an in-depth understanding of an issue (Saunders, Lewis, & Thornhill, 2012). We relied mainly on the archival research method (Kotabe & Kothari, 2016; Welch, 2000; Ventresca & Mohr, 2002), which is effective when exploring such issues (Gill, Gill & Roulet, 2018) with underlying historical contexts. Data sources used for this study relied heavily on archival

records spanning several decades. Archival records refer to “documents made or received and accumulated by a person or organization in the course of the conduct of its affairs and preserved because of their continuing value” (Ellis, 1993, p. 2). Accordingly, we utilized secondary data such as news articles, company annual reports, and respective government reports on the two airlines.

In all, we obtained hundreds of articles and reports on both airlines alongside industry reports and magazines including “Flight International” and “Airline Business”, and business magazines/newspapers such as “The Economist” and “Financial Times”. Whilst some of the data were publicly available, personal contacts and experiences of one of the authors with respect to the airline industry was valuable in gaining access to information from relevant stakeholders. One set of the research team examined the case of PIA and the other focused on SLA. Both teams developed the chronology of activities of PIA and SLA separately and then met to explore the linkages and differences in the cases. The two separate case study accounts were synthesized and integrated into one piece. The emerging narrative also identifies the similarities and differences between the two cases. By using multiple sources, we were able to deduce a clear narrative of how the activities and strategies of the airlines have manifested with the passage of time.

#### **4 THE GLOBAL AIRLINE INDUSTRY**

Historically, liberalization and globalization have transformed the competitive landscape of the global airline industry (Belobaba, Odoni, & Barnhart, 2009; Button, 2001), including many other industries (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). Specifically, the Airline Deregulation Act 1978 in the US under President Carter, the establishment of the European Common Aviation Market, and the adoption of market liberal policies ushered in the waves of privatization of state-owned airlines (SOAs) in the 1980s (Doganis, 2006; Chang & Williams, 2001). The Airline Deregulation Act, in many ways, served as a springboard in encouraging many developed and developing nations to embrace the notion, having been unenthusiastic about deregulation in the past (Ramamurti & Sarathy, 1997). Prior to the mid-1980s, most of the world’s

carriers were state owned with notable exceptions in the US and some parts of Latin America (Doganis, 2006).

Although many countries saw privatization as an opportunity to offload loss-making airlines to reduce national budget deficits (Ramamurti & Sarathy, 1997), many countries in the developing world in Asia and Africa failed to seize the opportunity to reform their national airlines. Accordingly, the waves of privatization were limited to mainly liberal or advanced economies at the time. For more than 30 years, one of the strongest justifications against privatization to inject commercial objectives into such national airlines was that exposure to market competition would lead to loss of market share to foreign rivals and even eventual collapse (see also Ramamurti & Sarathy, 1997). As such, many SOAs that underperformed compared to their privately owned rivals managed to maintain their existence.

According to the International Air Transport Association (2020), as a result of the COVID-19 pandemic 2020 traffic is expected to decline by about 66% compared to 2019 figures. This has weakened the financial position of many global airlines, thereby pushing many toward bankruptcy. For the industry, the effects of the pandemic and constraints on their operations manifested in the forms of border closures, government-mandated travel restrictions, planes grounded due to lack of demand, and quarantine measures for international travelers (Amankwah-Amoah, 2020a). These constraints have led to job losses by pilots, inflight personnel, etc. The effects of the pandemic on the airline industry appears to be excessive relative to the aftermath of the September 11 attacks. With lingering uncertainties and the changing restrictions of state governments across the globe, airlines are unable to design and charter definitive processes to renew and revive their operations across national borders. Global airlines are increasingly recognizing that successfully emerging out of the crisis and pandemics such as Ebola (Amankwah-Amoah, 2016b) and COVID-19 is partly predicated on their ability to renew their business model over time. Accordingly, the two historical

cases—PIA and SLA—offer some pathways into how organizations can renew for the future against the backdrop of persistent internal and external challenges.

#### **4.1 Case 1: The evolution of PIA**

PIA is an incumbent airline founded in 1946 (as Orient Airways, which was originally based in Calcutta before the partition of British India). In 1955 it was nationalized and renamed PIA, spearheading the push for global expansion after national/government reconfiguration. Since then, the airline has undergone various stages in its development. As the national flag carrier, PIA has been able to enjoy the patronage of locals and domestic politicians. It has also become the airline of choice by patriotic Pakistanis who viewed it as a source of national pride. Besides developing extensive domestic-route networks from its major hub in Karachi and minor hubs in Islamabad and Lahore, PIA has also developed route networks from Islamabad and Lahore to London and other Western and Eastern destinations (Chong, 2016). However, in recent years, it has lost many customers to rivals. Several new initiatives were undertaken under the former chief executive, Bernd Hildenbrand, involving the expansion to new destinations in Asia and new promising markets to recover lost market share (Chong, 2016). This also included the launch of a premier service (six flights per week) from Islamabad and Lahore to London. Currently, the airline enjoys a market share of around 24% in the international passenger markets and 47% in the domestic market (Business Recorder, 2016).

PIA contributed to the formation of other airlines; indeed, Emirates started in 1985 with two leased aircraft from PIA. Over the years, it has also faced resistance to reform and privatization from multiple quarters including the employees, powerful unions, and national governments even in the face of losses and declining performance. Indeed, in 1997 the proposed privatization of the airline was dropped in the face of resistance from trade unions, but the airline renewed its aircraft fleet to help improve efficiency and reduce the repair costs. In announcing the decision, the then chairman, Shahid Khaqan Abbasi, asserted that, “PIA is no longer a priority for privatization”

(O'Toole, 1997, p. nd). At the time, some of the problems identified were low efficiency and poor-quality service (O'Toole, 1997). Although Pakistan had previously explored the possibility of privatizing and restructuring the airline, including consulting with International Finance – the consulting branch of the World Bank (Flightglobal, 1997a) – these attempts have failed to yield any fruitful outcomes.

Besides the benefits stemming from being regarded as the national airline, the operations are also intricately linked with national security and political interests of various political parties. This has also often become a source of resistance to privatization and reform. After PIA's first public share offering in 1990, it took until 2004 for the second share offering to occur when the country's Privatization Commission offered 5% of shares for sale to domestic and overseas Pakistani investors (Flightglobal, 2004). These were attempts to promote a move towards increasing private involvement in the airline and improving its profitability. PIA is competing on two fronts: not only against low-cost rivals on domestic and regional routes but also against other better equipped legacy airlines from developed countries, including British Airways. In recent years, regional and global carriers have captured market share from PIA on international routes. The airline is also facing stiff competition from several domestic airlines such as Airblue, Shaheen Air, Air Indus, and Star Air Aviation, thus putting further pressure on its domestic market share. For much of its long life, PIA was able to capture a large segment of passenger traffic to the yearly Islamic Haj to Mecca and Medina in Saudi Arabia (Moffett, 2001).

However, in recent years many carriers and Middle East airlines such as Emirates and Etihad have emerged in these traditionally strong markets, further exerting pressure on PIA's operations and revenue streams. In 2013, the controlling stake of the government was around 86.7% with 57.7% via direct holding and the remaining 29% through financial institutions, leaving the rest to small investors (Airfinance Journal, 2013). Another factor which has hampered the long-term performance of PIA has been its firm control over a range of auxiliary services such as engineering,

ground operations, food, cargo management, and maintenance services, while most of the high-performing global airlines have outsourced these services to specialists in order to focus on core services.

#### *4.1.1 Aging fleet*

In 2006, PIA's revenues surged above 10% and passenger traffic by 12%, however, this was offset by the record increase in fuel prices and a 71% rise in financial costs to finance fleet replacement (Ionides, 2007). In 2007, the airline faced a different challenge. This time it was more intertwined with the ban on some of its fleet. In 2007, PIA was partially banned from operating some of its aircraft to European destinations due to safety concerns (Ionides, 2007). The European Union ban which limited its aircraft to only Boeing 777s was subsequently lifted but the suspended services and safety concerns damaged the reputation of the airline (Ionides, 2007). The notion that airlines originating from the third world contribute disproportionately to global airline accidents is not new to industry observers (Flightglobal, 1997b). Nonetheless, such bans often hamper such airlines' ability to attract passengers on routes where they face fierce competition from those originating from advanced economies. Although PIA was not the only airline banned by the European Union around the time, including many operating from sub-Saharan Africa to Europe, the suspended services affected its image and ability to attract new customers. One of its SR efforts was its \$1.2 billion fleet renewal which encompassed 21 of its 47 aircraft (Airfinance Journal, 2013).

#### *4.1.2 Flight cancellations*

Over the last decade, the airline has sought to bring new partners on board. In 2011, the airline lost around two billion Pakistani rupees (\$23.6 million) on its passenger and cargo operations due to flight cancellations following a four-day strike by its 18,000 employees which forced the then managing director to resign (Yeo, 2011a, 2011b). This was over the proposed code-sharing

agreement with Turkish Airlines which was viewed by the employees as potentially leading to the loss of some lucrative routes and consequently their jobs (Yeo, 2011b). Such underperformance, delays, cancellations, and losses have dented its reputation and ability to attract locals. By late 2011, the airline had accumulated losses of around 120 billion rupees (Rs) (\$1.34 billion) over a 10-year period, stemming from landing and infrastructural charges, rising fuel costs, and depreciation of the rupee against major world currencies including the US dollar (Hashim, 2011). In 2011, the airline sought to replace its aging fleet of Boeing 747s and Airbus A310s with A320s or 737-800/900s and 777-300/-300ERs (Hashim, 2011). Besides viewing fleet renewal as part of the solution to repairing its balance sheet, it represented part of PIA's strategy to increase its fleet to around 80 by 2020 (Hashim, 2011; Yeo, 2011a). Following a prolonged period of underperformance in 2012, PIA's liabilities exceeded assets to the tune of 123 billion rupees (\$1.3 billion) (Rivers, 2012). The accumulating losses prompted independent auditors to issue a warning about the status of the national carrier (Rivers, 2012).

#### *4.1.3 Protection from market competition*

For many SOAs, much of their success in the past was underpinned by the system of bilateral air services agreements stemming from the Chicago Convention on International Civil Aviation in 1944, which required nations to designate airlines regardless of their traffic potential (Belobaba et al., 2009; Doganis, 2006). By designating airlines for international markets, governments were able to preserve key and profitable routes for their national carriers. The limited competition also meant that fare rises became a prominent strategy to respond to major crises including rising oil prices and losses. Nonetheless, deregulation and liberalization gathered momentum across the globe following the Airline Deregulation Act 1978 in the US and the establishment of the European Common Aviation Market. This trend was accompanied by the shift from single to multiple designations in most international bilateral arrangements since the 1970s (Doganis, 2006) coupled with waves of privatization of SOAs in the 1980s. Such multiplicity of

developments ushered in a new and more competitive environment for national airlines. Arguably, state ownership and accompanying protection appeared to have dissuaded national airlines from striving for efficiency. In recent years, globalization pressures and market competition have made it costly and inefficient for governments to protect underperforming SOAs (Amankwah-Amoah, 2015; Clougherty, 2001). It is long established that SOEs are generally “highly inefficient”, characterized by “jobs for the boys”, and often struggle to make a profit (Shleifer & Vishney, 1994). Such state airlines often appear to promote political “empire building” at the expense of efficiency and expediency, consequently contributing to declining performance.

#### *4.1.4 Conflicting stakeholder interests*

Conflicting stakeholder interests, which are manifest in the way interest groups compete for territory and influence, are common in state-owned organizations. For most organizations, the desire to achieve profitability often means making difficult decisions about eliminating overlapping activities which ultimately lead to job losses . However, government-owned businesses often resist when confronted with potential job losses, which would inevitably lead to increased unemployment. In the wake of frequent flight delays, long-standing political interference, over-staffing, and continued losses, PIA has leant precariously towards closure for years due to failure to reform (Masood, 2014, p. A6). Thus, in 2013 “Airfinance Journal” (2013, p. 3) postulated whether the airline could be disentangled from the “outrageous bureaucratic interference in its operations” given the conflicting interest of the government and other powerful stakeholders. Stemming from such indecisions is the desire to persist with the status quo which makes profitability difficult to achieve.

As Ramamurti and Sarathy (1997, p. 398) note, when airlines have been state controlled, “governments have found it politically inconvenient to discipline their managers and workers, preferring instead to postpone painful adjustments such as privatization, which workers, suppliers and managers tended to oppose”. Besides decoupling performance from survival, government

interference and injection of public funds also usher in a culture of appointments based on politics rather than economics. As state influences permeate the activities of SOEs, profitability and superior performance become difficult to achieve, more so in a liberalized setting (Shleifer, 1998; Shleifer & Vishny, 1994). One source of the airline's problems can be attributed to the culture of "sifarish" which is an Urdu word which refers to recommendation or connection which underpins the family- and kinship-based social structures similar to Guanxi in China (Islam, 2004, p. 322). It has been suggested that this is the "standard means of getting things done by public functionaries" (Islam, 2004, p. 322). As Islam (2004, p. 323) observed, PIA often apports a number of seats to government ministries and departments on every flight, which are kept close to departure. This also reflects the invisible hand of government officials in the management and allocation of the airline's scarce resources.

One of the earliest challenges revolved around how PIA could fulfil its social goal of being the national flag carrier whilst concurrently maintaining viable commercial operations. Another factor has been the subsidies or free services provided to politicians and their families. Indeed, the state-owned and controlled airlines often "delay flights to accommodate tardy politicians and senior bureaucrats" and in so doing create conditions for further delay and underperformance (Masood, 2014: A6). By providing state financial injection to help such airlines maintain their operations, it decouples firm performance from its ability to survive. Therefore, managers then begin to focus more on winning and maintaining the support of the state, thereby creating conditions for underperformance. In a similar vein, this story appears familiar given that multiple SOAs around the globe such as Ghana Airways, Nigeria Airways and Air Afrique all toyed with the idea of privatization and then failed to follow it through. These national airlines eventually suffered the ultimate fate of collapse, besieged with problems such as overstaffing, pursuit of political goals rather than profits, and over-reliance on state support, thereby maintaining years of loss-making operations.

#### *4.1.5 Employee quota*

Another set of factors pertains to the desire of the government to have a diverse workforce, which represents the make-up of the population. Historically, a system of regional quotas has permeated the human resource management of civil service organizations such as PIA Corporation (PIAC) and Pakistan Steel (Jhatial, Cornelius, & Wallace, 2014). This has often led to ethnic group dominance in the employment of PIAC. Jhatial et al. (2014) observed that around 43% of its employees originated from Punjab, 27% from Urban Sindh, and 11% from Khyber Pakhtunkhwa. An unintended outcome has been that the quota system has failed to reflect the level of expertise required to manage efficient operations of the airline. It also means that hiring decisions could be driven by factors other than an individual's expertise, knowledge and ability. Accordingly, recruitment is based on political considerations rather than competence and expertise. Mismanagement has often been the outcome of such a quota system. The conflicting interest group has long delayed privatization efforts. Furthermore, the PIA unions were frequently patronized by major political parties who brought in the culture of inefficiency and underperformance.

#### *4.1.6 Misallocation of resources*

One source of drain on the firm's finances was the annual budget of around 2.42 billion rupees (estimated \$70 million) to bring the aging fleet up to date – some of which date as far back as 1959 (Airfinance Journal, 2013). This is surprising compared with the fact that in 2010 the average age of aircraft of the seven major US airlines, including Alaska, American, Continental, Southwest, and United, was about 14 years. Given the high safety standards of inspection, maintenance, and replacement of parts in the industry, some fleets can stay safe for 25 to 30 years (Pawlowski, 2010; The Airline Monitor, 2010). Even with that, older aircraft entail higher repair and replacement costs. In addition, as far back as 2001, Moffett (2001) observed that servicing and replacing parts of its aging fleet was leading to losses. This was also intertwined with poor customer service as many of the flight delays and cancellations were connected to maintenance problems. At

this point, fleet modernization was viewed as a priority in revitalizing the airline and providing improved services to customers (Moffett, 2001).

Although the desire to privatize has been on the back burner for decades, the turn of the 21st century unveiled much of the deep-seated problems around overstaffing and political interference. This overwhelming political influence was exemplified by the observation that the airline's 12-man board of directors was bloated with "government functionaries" (Airfinance Journal, 2013, p. 3). Consequently, the ability of new executives to shape or change the direction of the airline is often curtailed by these powerful influences. One of the problems faced by the airline, like many in the emerging world, has been that many of the individuals trained are poached by other Asian and wealthy Gulf airlines (Flightglobal, 2011). This has not only drained PIA's resources but also hampered its growth prospects whilst, concurrently, strengthening its rivals in the same region. To the outside observer, this suggests that the airline has often borne the cost of training workers but benefited little from their investment. Recently, the PIA has been facing further problems related to the dubious pilot licensing issues and the suspension of its operation from some global markets, including the EU. These and the above-mentioned issues thus require SR in order to respond to internal and external challenges. In addition, the widespread disruptions caused by the COVID-19 pandemic are putting severe pressure on PIA's resources. It is in this context that Bloomberg (2020) noted that the PIA, along with 10 other airlines, almost went bust due to the COVID-19 pandemic. Also, recently the PIA has announced a \$78 million voluntary separation scheme to its 3,200 staff in order to reduce excessive workforce and cut costs (Express Tribune, 2020a, 2020b). The PIA has so far suffered a Rs31.9 billion (around \$200 million) loss during the current year due to the ongoing pandemic (Express Tribune, 2020a, 2020b). These figures indicate that PIA is under massive pressure to renew and develop long-term sustainable competitive advantage.

## 4.2 Case 2: Sri Lankan Airlines

SLA is the flag carrier and the largest airline in Sri Lanka. It is the successor of Air Ceylon which was established in 1947 as the state-owned flag carrier. At the inception, Australian National Airways (ANA) provided the initial technical assistance to operate the aircraft and subsequently ANA acquired a 49% stake in Air Ceylon. In 1953, Air Ceylon stopped international flights due to stiff competition. In 1953 Dutch carrier KLM acquired the 49% stake held by ANA, and subsequently Air Ceylon resumed international flights in 1956. In 1961 Air Ceylon stopped international flights again due to competition, and later on resumed international flights in 1969. In 1979 the government terminated the operations of Air Ceylon, and replaced it with Air Lanka as the new national carrier. The termination culminated in the formation in 1979 of new Sri Lanka's national carrier- Air Lanka (Begum, 2020). Air Lanka then experienced several ups and downs over the subsequent decades. Besides becoming an award-winning airline with a very good reputation for service quality and safety, it also had a well-developed network connecting to multiple destinations.

In January 1999, Flight International Magazine reported the government's attempt to thwart the formation of potential start-up PeaceAir by noting the decision of the government not to grant international rights to any other airline except Air Lanka for around a decade (Flight International, 1999). This was geared towards protecting the airline from intense market competition. By seeking to shield the airline from market competition, there was little incentive for it to improve the quality of services and inflight services to attract new customers.

SLA was formerly known as Air Lanka until it was privatized in 1998. The privatization culminated in the government offloading 43.63% stake (worth \$70 million) to the Emirates Group (Emirates, a Dubai-based carrier) in tandem with strategic partnership with Emirates securing a 10-year management agreement (Ionides, 2002). The benefits offered by Emirate Airlines' expertise were largely seen as the way forward for the airlines. Accordingly, Emirates took leadership over

“investments and management matters” and wanted to enhance the brand and legitimacy of the airline (Begum, 2020, p. nd). The injection of Emirates-appointed managers in the strategic and operational decisions of the airline led to changes such as the overhauling the route network and fleets, and the corporate image (Ionides, 2002). Accordingly, AirLanka was rebranded as SriLankan Airlines.

Nevertheless, the productivity gains were eroded by the global industry downturn in 2001 in tandem with the 2001 attack by Tamil separatists Colombo airport, which disrupted its operations and destroyed four of its aircrafts (Ionides, 2002, p. nd; BBC, 2001). Although the CEO at the time, Peter Hill, noted the airline had US \$500m insurance, the real damage was the defection of customers to rival airlines including Emirates (which owned 40% at the time) and rising insurance premiums (BBC, 2001). The civil war between the government and the Liberation Tigers of Tamil Eelam (LTTE) that lasted from 1983 to 2009 had a detrimental effect on the domestic industries including aviation and tourism. The LTTE also targeted the airlines. Most notable attacks included the 1986 when LTTE exploded an Air Lanka aircraft at Katunayake International Airport killing 21 and injuring over 40 people (BBC, 2017). According to Flight International, around four years following Emirates stake in the airline, the new Sri Lankan government threatened to revise the deal due to perceived unfair protection for the flag carrier (Ionides, 2002).

In 2010, Sri Lanka's government completed an agreement to buy-back Emirates' stake in Sri Lankan Airlines raising its stake to 94.7% and ending Emirates involvement lasting over a decade and ending the 10-year management contract signed in 1998 (Airline Business, 2010). This followed the return of “management control” to the government in 2008 following public disagreement between the two partners but also paved the way for the airline to pursue its preliminary ties with Etihad Airways (Airline Business, 2010).

The hub connectivity potential of Sri Lanka is evident from the fact that a large proportion of the Sri Lankan airline’s passengers are transit passengers. For example, available evidence

suggests that only one in 10 passengers flying with SLA from China sets foot in Sri Lanka, with the rest landing in either India or the Maldives (Nagahawatte & O’Connell, 2015). Moreover, Sri Lanka’s case as home to numerous exceptional tourist attractions was further enhanced when the “New York Times” ranked it as the number one travel destination for 2010 and then ranked by Lonely Planet as best destination for 2013. Such rankings and reviews provide a unique business case for SLA. However, SLA has so far failed to achieve its potential and remains an ailing Sri Lankan enterprise. This can be attributed to many structural issues as well as strategic and operational blunders which will be discussed below.

Since Sri Lanka is recovering from nearly three decades of civil war, its strategic geographical location, fast-growing regional markets, and unique tourist attractions should provide the airline with an opportunity to regain missed opportunities. However, the post-war SLA recorded consecutive operating losses. Therefore, key structural issues arising from the state ownership and political influences undermined the potential of SLA. This was evidenced at the time when the Emirates relinquished its ownership and management contract with SLA in 2008 and 2010 respectively. It was rather surprising that Emirates wanted to abandon SLA at a time it was performing quite well. This was, allegedly, largely due to a dispute between the incumbent CEO (Peter Hill) of SLA and the incumbent President of Sri Lanka (Mahinda Rajapaksa) whereby the former refused to bump 35 passengers from a flight to make way for Sri Lanka’s president and his entourage (Ionides, 2008a, 2008b; The Advocata Institute, 2016). Soon after this dispute, Peter Hill had his work permit revoked and lost his job, and subsequently Emirates publicized that they were unsuccessful in extending the top management team contract with SLA.

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**Insert Table 1 about here**  
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#### *4.2.1 Poor human resource management*

Another associated issue with state ownership is the resultant poor human resource management. The first issue is that the government often appointed politically connected individuals to the top management team irrespective of their suitability. For example, when SLA became a fully state-owned enterprise after the Emirates' divestment, there were several high-profile political appointments in SLA. For example, President Rajapaksa appointed his brother-in-law to the chairman's position, despite his inexperience in the airline industry. Second, the Sri Lankan government is notoriously famous for using the SOEs to provide job opportunities to boost employment (Nagahawatte & O'Connell, 2015) and to gain political capital by posturing and pandering to the electorate. There is anecdotal evidence to show that this was the case after the Emirates' divestment. Also, we can clearly see a significant continuous increase in staffing after the airline became a fully state-owned enterprise (Table 1), despite the sharp decrease in revenue and increase in operational loss during the period. As a result, SLA has now become one of the least productive airlines: for example, by 2014 SLA had 289 employees per aircraft compared to 134 for Singapore Airlines (Nagahawatte & O'Connell, 2015).

Another drawback of the state ownership is the problem of agency, which can become quite perilous in a country with high corruption. After the divestment by Emirates, abuse of power became rampant at SLA and then there were many allegations of corruption. For example, in 2011 when the firm was performing very poorly, SLA made a decision to re-fleet their aircraft by using around \$2.3 billion to purchase 10 aircraft (encompassing six A330-300s and four A350-900s) from Airbus while there were several discounted alternatives (The Sunday Times, 2015). There were many allegations of financial payments made to individuals connected to the government, with some financial payments based on faked documents (The Sunday Times, 2015). After the divestiture by Emirates, operating expenditure of SLA increased dramatically; operating costs almost doubled by 2014.

One of the key strategies undertaken by Sri Lanka's national carrier is to engage in various forms of collaboration with foreign partners. Altogether, there have been five international partnerships between the national carrier (i.e., Air Ceylon or Air Lanka/SLA) and foreign airlines, namely ANA, British Overseas Airways Corporation (BOAC), KLM, Singapore Airlines, and Emirates. Foreign airlines, both as an investor and through various other forms of collaborations, have played a key role in the initial inception of the national carrier as well as its subsequent operations/growth. These collaborations and frequent changes in partnerships were imperative for the airline's SR activities in terms of dealing with the changes in the environment/competition and for the survival/growth of SLA, particularly given its small size and since it is originating from a small developing country. Given the small size of the internal market (i.e., Sri Lankan passengers) and their lower affordability (85% rural population), SLA cannot rely on Sri Lankan customers. However, as a small airline and with both internal (within firm) and parent-related (Sri Lankan government) investment constraints, it would be difficult to allocate a sizable budget to develop its brand overseas. Therefore, such foreign collaborations contribute importantly to developing its brand overseas to attract foreign customers (Nagahawatte & O'Connell, 2015). Moreover, through these collaborations SLA was able to tap into the foreign multinational airlines' superior management methods, advanced technology, efficient operations, and experience.

#### 4.2.2 *Strategic alliances*

One of the most instrumental partnerships was the one with Emirates during 1998–2008. By cooperating with Emirates, Europe and the Middle East became the most profitable markets for SLA. Through the strategic partnership with Emirates, SLA benefited from Emirates' vast international network and also gained a boost to its brand from the reputation of Emirates. Nonetheless, a decisive moment occurred in 2008 when Emirates declared that it would not extend the cooperation with the Sri Lankan government. Subsequently, Emirates sold their stake back to the local government in 2010 and SLA returned to a fully state-owned organization. In terms of the

quality of service, the divestment by an experienced and professional partner such as Emirates meant that the overall human resource management systems were weakened. In addition, the interference of the Sri Lankan government in the recruitment process contributed to exacerbating the poor quality of services. For instance, a flight between Sri Lanka and Bangladesh in May 2014 had to make an emergency landing after take-off owing to the errors in the navigation operation (Colman, 2016). Subsequent investigation discovered a lack of skilled and experienced ground staff in Colombo as a major source of the incident (Colman, 2016).

With Emirates' divestment, SLA not only lost its access to Emirates' superior competitive advantages, but also had to compete with Emirates both internationally and domestically. For example, SLA struggled in the Middle East and Europe after the divestment and, consequently, were forced to limit their operations in serving European destinations (Nagahawatte & O'Connell, 2015). SLA is now facing fierce competition from the Gulf carriers, Emirates in particular, and finding it difficult to compete with their scale, brand presence, in-flight product superiority, and access to financial markets and airport infrastructure (Nagahawatte & O'Connell, 2015). Furthermore, Emirates already obtained valuable knowledge about the Sri Lankan market through its previous involvement, therefore, SLA not only had to compete in Emirates' comfort territories but also had to compete domestically. With the withdrawal of Emirates, SLA, as a fully state-owned enterprise, had no mechanism to prevent political influence, which was one of the main reasons for the escalation of operational costs. After the Emirates' divestment, SLA has not collaborated much with foreign partners.

However, a notable development was SLA becoming a member of the Oneworld Alliance in May 2014, being the first carrier from the Indian subcontinent to join a global alliance (Sri Lankan Airlines, 2013). The Sri Lankan government has always tried to position SLA with a sense of patriotism and maintained the legacy outlook of the Airline (Nagahawatte & O'Connell, 2015). This would be an ideal strategy to attract Sri Lankan customers due to the nationalistic sentiments

in the country, and many firms in Sri Lanka have used such positioning to attract local customers. In fact, available evidence shows that Sri Lankans feel a sense of patriotism and an emotional bond towards the national flag carrier (Nagahawatte & O'Connell, 2015). However, whether such a strategy is overall beneficial is questionable given that the Sri Lankan market is quite small. If the airline wants to capitalize on the country's geographical location and tourism potential, then having a more outward-oriented approach would be needed. Furthermore, SLA competes only through price while all aspects of its product offering are inferior to its counterparts (Nagahawatte & O'Connell, 2015). Again, such a strategy would only be good enough to attract price-conscious customers, such as Sri Lankan passengers who are relatively less affluent.

SLA's post-divestment growth rate was lower, compared to its pre-divestment growth rate, despite the considerable increase in its post-divestment operating expenditure. Above all, SLA which was a profitable enterprise prior to the divestment, consecutively reported large losses since its divestment. After the change in the government in 2015, the new government now perceives a reconstruction plan for SLA, while actively seeking another foreign partner. SLA's dismal performance after the divestment is plausible for several reasons. The competitive advantages of MNEs are derived from their superiority in technology and management (Grosse, 1992; Chisik, 2002). The brand image of Emirates and the proximity to Sri Lanka also add to competitive advantage. Therefore, by cooperating with Emirates, the markets in Europe and the Middle East become more profitable for SLA.

SLA struggled in the Middle East and Europe after the divestment and, consequently, had to cut down the number of flights to Europe due to huge operational costs (Samath, 2016). The knowledge of the Sri Lankan market also equipped Emirates to compete in the domestic Sri Lankan market. Financial resources of state-owned firms usually come from the state, such as national banks or the treasury, and it is quite essential to have the right mechanisms to assure the effective use of state financial resources. Corruption and abuse of power often occur in SOEs usually through

close-knit relationships between self-interest state authorities, the board, and management. A non-state ownership, particularly a reputed foreign partner, could limit such political influence, agency problems, and conflict of interests.

#### 4.2.3 *Business renewal for the future*

Besides these relative successes in developing footprint in international markets, SriLankan Airlines is largely seen as a “loss making flag carrier” (Bailey, 2019, p. nd). In 2015, the then new government of Sri Lanka accused the loss-making airline of fermenting a “culture of corruption” encompassing the irregularities in a \$2.3bn acquisition of 10 aircrafts and launched a criminal investigation into its activities (BBC, 2015). In September 2018, the airline was reported to be in debt of at least \$1bn (BBC, 2018). Sri Lanka’s loss-making flag carrier has unveiled a five-year plan aimed at turning their fortunes around focusing on expansion and improving the customer experience. In 2019, the airline revealed a five-year (2019-2024) business renewal strategy aimed at reversing the decline and putting it on the path to become the Next “Emirates” - to emulate the successes accumulated by Emirates around the globe (Bailey, 2019). A cornerstone of Sri Lankan Airlines’ strategy was on developing and leveraging a more efficient hub-and-spoke model including development of the Colombo hub (Bailey, 2019). The hub-and-spoke model is largely seen as more effective in linking multiple destinations on both long-haul routes and short-haul routes relative to the point-to-point networks utilized by regional and low-cost airlines (Amankwah-Amoah & Debrah, 2009). The reform seeks to help the airline fulfil its potential contribution to the national economy (Bailey, 2019, p. nd).

## **5 DISCUSSION AND CONCLUSION**

The aim of this article was to examine how organizations renew themselves during crises. Drawing key insights from the two underperforming airlines—Pakistan International Airlines and Sri Lankan Airlines—useful insights can be drawn for organizational renewal in light of the

COVID-19 pandemic. It is evident that SOEs are bedeviled with resource constraints exacerbated by unwarranted state interference and poor use of intangible knowledge sources arising through the rapid rise of digitalization and big-data-associated knowledge assets. Such trends affect the strategy formulation and implementation leaving such national carriers struggling for survival and unable to respond to external shocks and black swan events effectively. The cases reveal that the various SR initiatives taken by the airlines were largely reactive rather than proactive. The case firms were unable to develop strategies, learning capabilities, and related actions aimed at anticipating future environmental changes and reorganizing to respond to the emerging dynamic environments characterized by industry 4.0 technologies. Both PIA and SLA are reactive organizations and focus more on responding to past or ongoing environmental upheavals rather than utilizing industry 4.0 technologies and appropriately restructuring operations to respond to the black swan events such as those caused by the current pandemic. Previous studies on SR have sought to explicate the relationships between renewal and performance without accounting for inherent strategic processes. Accordingly, limited insights have been offered on this issue, particularly in the context of emerging and developing economies (Ndofor et al., 2013). This study seeks to fill this void by examining how renewals manifested in two South Asian state-owned airlines: PIA and SLA. A promising aspect of the present study is that it provides new insights into how government involvement could inhibit organizational renewal. In this article, we sought to shed light on why underperforming SOEs experience little reform and how they can be revitalized in a highly competitive and dynamic business environment of the 21st century. We explore this issue using the cases of PIA and SLA. It can be deduced that such underperforming airlines maintain their existence largely due to strong influence and support from the nation state.

In retrospect, therefore, PIA's problems could be the result of historical state influences in the management and control of the airline. Another possible explanation for the airline's problems is that the pace of competition and liberalization in the global industry has not matched the pace of reforms within the firm as well as strategic investment in upgrading its DCs. It is also noteworthy

that SOAs have been bedeviled by poor performance because of lapses in management with an attendant lack of requisite managerial and technical staff. These have been compounded by misallocation of limited resources and excessive interference by state governments. Our study points to the fact that forming strategic alliances with internationally recognized airlines who have established networks and highly recognizable brands can reduce the interference of the state. In recent years, Sri Lankan Airlines has managed to accumulate some accolades including becoming a member of Oneworld Alliance and the largest international airline offering service to southern India and the Maldives (Begum, 2020), as well as operating to over 100 destinations in 48 nations (Oneworld, 2020).

Our study shows that full state ownership only leads to losses but where recognized foreign firms are involved, as partners, the state airlines could perform better. These findings also emphasize that SOEs are ill-equipped to respond to changes in the business environment because they have not developed the necessary capabilities to reconfigure their resources and capabilities continuously to address environmental threats since renewal of a capability is at the cornerstone of DCs (Teece et al., 1997). Since firms require DCs to foster firm renewal (Riviere et al., 2018), SOEs are more likely to respond to the impact of external environmental factors by learning from the past and continuously restructuring their operations. SOEs also need to invest in developing their learning capabilities in order to respond to external shocks effectively. Consequently, underperforming national carriers may face bigger problems to renew and revive their operations in response to the aftermath of the COVID-19 pandemic.

## **5.1 Practical implications**

The practical implications of the study are fourfold. To revive such ailing state-owned or underperforming organizations to market improved competitiveness, we advocate the following steps which entail identifying the root causes and learning, breaking the resistance and revitalizing the organization, drawing the battlegrounds, and locking in the progress, as shown in Figure 2.

**Phase 1: Identifying the root causes and learning from others.** By weeding out underutilized and underperforming employees, SOAs would be able to establish a strong base to be able to compete and offer more attractive packages to customers. In order to move from underperformance into high performance, the organization needs to learn from those whose current predicament reflected their own experiences. For instance, Kenya Airways had similar problems, but it has been able to transform itself through reforms and privatization (Debrah & Toroitich, 2005).

The global airline industry is littered with examples of SOAs such as Nigeria Airways, Air Afrique, and Ghana Airways, which resisted pressure to privatize to improve economic performance only to eventually succumb to debilitating problems such as overstaffing and protection from free market competition by governments, which eventually led to their demise (Amankwah-Amoah & Debrah, 2014). Often protection by governments can create conditions for mismanagement, mediocrity, and tolerance of poor attitude to work. Such tendencies also inhibit developing DCs. Only a handful of government-owned airlines around the globe managed by civil servants or dictated to by governments have survived and/or flourished. Therefore, minimizing or reducing government interference in such organizations could free managers to pursue cost efficiencies as well as develop much needed DCs to respond to changes in the business environment.

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**Insert Figure 2 about here**  
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**Phase 2: Breaking the resistance.** The second step is to begin the move towards revitalizing the organization. As more businesses collapse in the wake of resistance to change or privatization, many of those resistant to change eventually become the main victims. By educating workers of the potential effects of an unreformed company, firms would be able to unfreeze some of the resistance to privatization or internal reforms. This also means adopting new routines, processes, management systems, and cultures which might be a deviation from the previously

chosen approaches. This also means developing and embedding a new culture which places greater emphasis on efficiency and performance improvement. This step could mean providing more opportunities for professional management and expertise to be infused into the organization.

**Phase 3: Retooling and drawing the battlegrounds.** Besides drawing the national, regional, and global battle lines, airlines then need a strategy towards capturing value related to doing business along the key routes. This means seeking full capacity and reducing delays. This is where it is pertinent to highlight that strategic alliances and networks could give access to important routes that these national airlines should actively pursue and learn from their alliance partners.

**Phase 4: Lock in the progress.** Often many organizations develop a turnaround strategy which delivers temporary performance improvement and successes, only to see performance regress within a short period chiefly because of a lack of effective measures to embed the changes. In our cases the return back to full state control meant the return to poor performance. For airlines, there is a need to lock in progress rather than revert to a previous, seemingly comfortable, position which involved undoing hitherto embedded changes. This is at the point where organizations need to conclude that there is no going back to previous defective routines, overstaffing, and mismanagement. Our evidence confirms that such an approach would, ultimately, lead to a return to failure and exit. The managers and policy makers could also learn from firms operating in different industries and learn their renewal processes—the case in point is IBM (cf. Agarwal & Helfat, 2009).

## **5.2 Potential limitations**

Although our study has given us first-hand strategic approaches to the revitalization of SOEs, our reliance on secondary archival sources to uncover how the strategic renewal efforts unfolded has limitations. While the activities span several decades, this approach lacks rich in-depth analyses that evaluate the views and first-hand accounts presented by key stakeholders. Future

research could incorporate primary data to improve our understanding of the observed phenomena. The current study also focused on renewals, which did not account fully for the effects of national government policies and future studies could incorporate the effects of policymaking. Future studies should also explore what other factors influence SOEs' adaptation to external crises. In particular, a close comparison between surviving state-owned firms and the ones that collapse may shed more light on the reasons for collapse and failure whilst at the same time giving insight into the possible strategic approaches to revitalizing such firms. SOEs' response to external shocks and black swan events remains a relatively underexplored topic, thus future studies could shed more light on how these firms use firm level actions, develop ambidextrous learning capabilities, and adapt their business models in order to respond to external challenges. There is also scope to examine a diverse range of firms, including family firms as well as new start-ups, and examine how such firms from different industries undertake SR and respond to external challenges. Such studies could integrate insights from the micro-foundations and strategy as practice literature and understand the strategic renewal processes of different types of firms. Finally, longitudinally studying the strategic renewal processes at the firm, industry, and value chain levels might offer important insights on this important topic.

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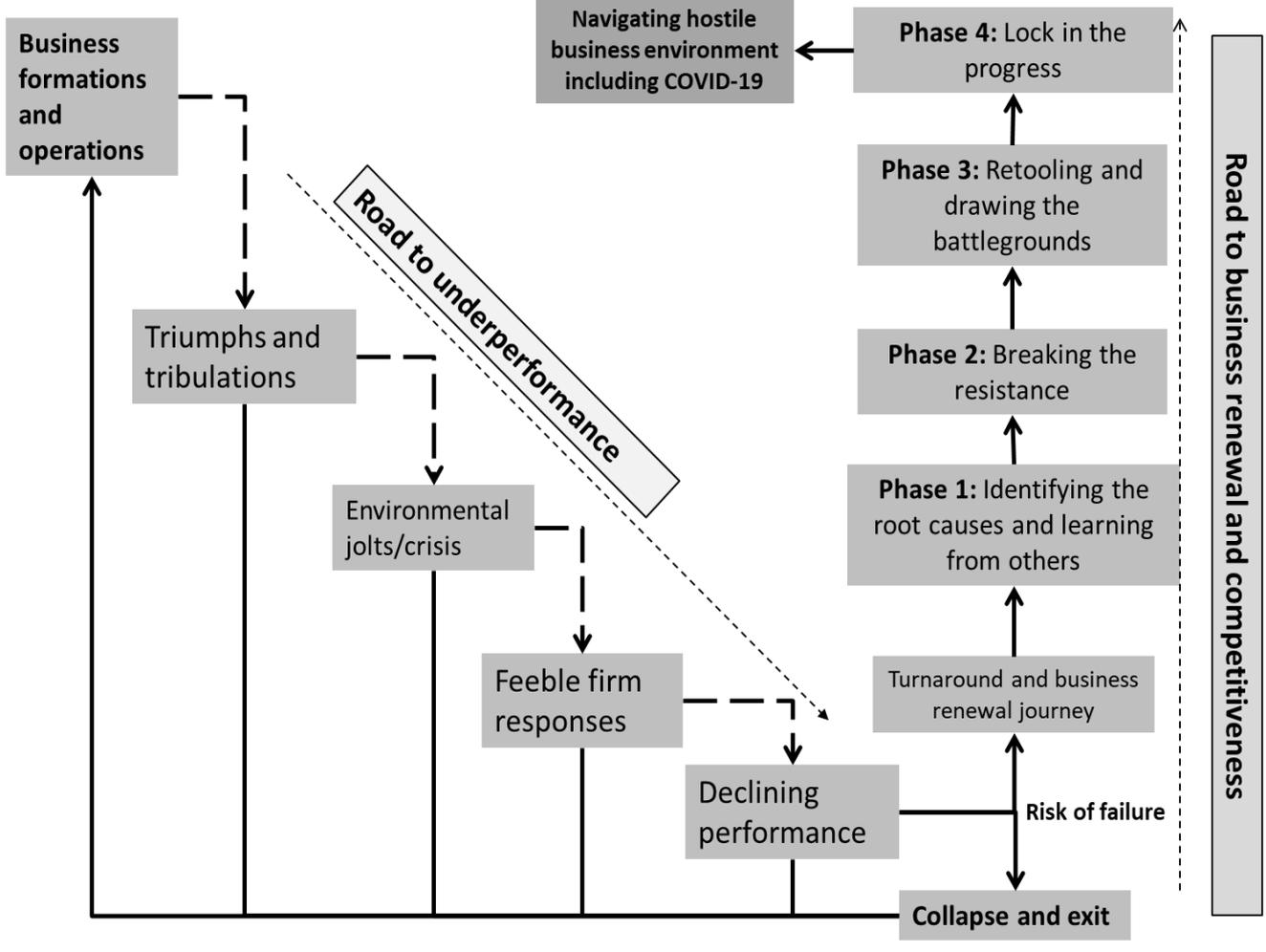
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**Figure 1: Road to business renewal and firm competitiveness**



**Table 1. Key events illustrating salient events in Sri Lankan Airlines**

Period	Key events
1940s	<ul style="list-style-type: none"> <li>● 1947 – Air Ceylon was established in 1947 as the state-owned flag carrier in Sri Lanka.</li> <li>● 1948 – An agreement was signed with Australian National Airways to provide Air Ceylon with technical assistance to operate the aircraft.</li> <li>● 1949 – ANA acquired a 49% stake in Air Ceylon.</li> </ul>
1950s	<ul style="list-style-type: none"> <li>● 1951 – Air Ceylon became a Corporation, with the Government of Ceylon owning 51% and ANA owning the remaining 49%.</li> <li>● 1953 – Air Ceylon stopped international flights due to the competition from British Overseas Airways Corporation (BOAC) and Trans World Airlines. Air Ceylon discontinued all long-haul flights and gave up its partnership with ANA.</li> <li>● 1955 – Dutch carrier KLM acquired the 49% stake held by ANA.</li> <li>● 1956 – Air Ceylon resumed international flights.</li> </ul>
1960s	<ul style="list-style-type: none"> <li>● 1961 – Air Ceylon stopped international flights again due to the competition.</li> <li>● 1962 – Air Ceylon left the partnership with KLM and went into a partnership with BOAC for support on its overseas operations. To conduct Air Ceylon flights to London, BOAC operated its own aircraft under Air Ceylon stickers.</li> <li>● During this period, Air Ceylon left the partnership with KLM and went into a partnership with BOAC for support on its overseas operations. BOAC conducted Air Ceylon flights to London. BOAC operated its own aircraft under Air Ceylon stickers.</li> <li>● 1968 – The new Bandaranaike International Airport at Katunayake was commissioned.</li> <li>● 1969 – Air Ceylon started international flights again.</li> <li>● 1971 – After the termination of the Air Ceylon/BOAC liaison, Air Ceylon negotiated a deal with the French company UTA Airlines to provide commercial and technical assistance.</li> </ul>
1970s	<ul style="list-style-type: none"> <li>● 1977 – Air Ceylon got into trouble with alleged mismanagement, corruption, and financial instability. International services were suspended.</li> <li>● 1978 – Explosion of Air Ceylon HS-748 aircraft by LTTE terrorists at Ratmalana Airport.</li> <li>● 1979 – The government terminated the operations of Air Ceylon and replaced it with Air Lanka.</li> <li>● During this period, Singapore Airlines provided initial assistance in training and development and lent aircraft which were later bought by Air Lanka.</li> </ul>
1980s	<ul style="list-style-type: none"> <li>● 1986 – Explosion of Air Lanka aircraft at Katunayake International Airport by the LTTE terrorists killing 21 and injuring over 40 people.</li> </ul>
1990s	<ul style="list-style-type: none"> <li>● In 1998, Air Lanka was partially privatized and Emirates acquired 43.63% of the ownership of Air Lanka. AirLanka was rebranded as SLA. The Sri Lankan government and Emirates also signed a strategic partnership which offered Emirates a management contract for 10 years.</li> </ul>
2000s	<ul style="list-style-type: none"> <li>● 2001 – LTTE infiltrated the Katunayake Air Force base and destroyed eight military aircraft on the Air Force side and two Airbus A340, one Airbus A330 aircraft and one Airbus 320-200 aircraft. The three Airbuses destroyed constituted three of SLA's 12 aircraft. The two other damaged aircraft meant that nearly half of the airline's fleet was out of commission.</li> <li>● 2008 – Emirates announced that they would not extend the partnership with the Sri Lankan government.</li> <li>● 2010 – Subsequently Emirates sold their ownership stake back to the Sri Lankan government in 2010 and SLA returned to a fully state-owned organization.</li> </ul>
2010s	<ul style="list-style-type: none"> <li>● Became a member of the Oneworld Alliance in May 2014.</li> </ul>

*Source:* synthesized by the authors from various sources including Sri Lanka Civil Aviation Authority, 2017; Oneworld, 2020; and Thiedeman, 1997.