

Governing Energy

Empty

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Confidence is everything! People need to trust the institutions and organizations that they depend upon, whether for their livelihood, family unit, commercial organizations or government structures.

When confidence, nay trust is broken the human response can be swift and even terminal. In a previous edition of this work (June 2012), the fate of the DC-10 aircraft (circa 1970) was posited as a Cautionary Tale. Repeated accidents relegated this aircraft to freight as the public became “fear of flying” this asset.

Some 40 years later, passengers appear to be fleeing a modern airline for many of the same reasons. Malaysian Airlines has lost two aircraft in less than six months. On March 8, 2014, Malaysia Airlines Flight 370 disappeared, remains a mystery and may never be solved.ⁱ

In July, Malaysia Airlines Flight 17 became the apparent victim of hostilities.ⁱⁱ In this case, questions have been raised as to the wisdom of the flight plan across the Ukraine when other carriers had rerouted.ⁱⁱⁱ

Commercial airlines have been lost before from perceived or actual military action.^{iv} In 1978, Korean Airlines Flight 902 was shot down by the Soviet Union for allegedly violating sovereign airspace and presenting an apparent military threat to that nation. While an interesting political position, one might see the strategic weakness of this military response to commercial airline airspace intrusion.

However, when the flying public is concerned about their safety, the impact on the business model can be immediate and severe. This would appear to be the case with Malaysian Airlines.

This problem is not limited to the airline industry. Certain automobiles, e.g., Ford’s Edsel and Pinto are examples when entire model lines were withdrawn after customer confidence was lost. Ford is not the only manufacturer to produce so-called “lemons,” many claim that title as well.^v

The Gulf of Mexico drilling moratorium in 2010 is an example whether the US offshore drilling industry suffered a similar fate. One might argue that this is different because the US government drove this shutdown.^{vi} The counterpoint is that politicians echo their constituents’ desires.

Six other commercial airliners have disappeared and never been found, including a Boeing 727 in 2003. While the flying public always seems to bounce back from adversity, there is always a short-term impact at a minimum. For example, according to the IATA, it took three years for the industry to recover (as measured by revenue) after the September 11, 2001 terrorist attacks.^{vii}

Apparently, like many firms before Malaysian Airlines has marshalled a Crisis Management process that appears will have a far-reaching effect on that organization.^{viii} Time will tell whether this restructure will be successful. However, one surmises it will be costly.

Crisis management is just that. Organizations must move quickly to assure that constituent confidence is quickly reestablished when brought into question.

How does your organization assure that stakeholders do not face a Crisis of Confidence in your Business Model?

About the Author

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End Notes

ⁱ <http://www.cbsnews.com/malaysia-airlines-flight-370/>

ⁱⁱ <http://www.cbsnews.com/news/malaysia-airlines-cutting-6000-jobs/>

ⁱⁱⁱ <http://www.nbcnews.com/storyline/ukraine-plane-crash/who-had-authority-ban-air-travel-over-ukraine-n159636>

^{iv} http://en.wikipedia.org/wiki/List_of_ airliner_shootdown_incidents

^v http://www.forbes.com/2004/01/26/cx_dl_0126feat.html

^{vi} http://www.nytimes.com/2010/10/13/us/13drill.html?pagewanted=all&_r=0

^{vii} <http://www.iata.org/pressroom/documents/impact-9-11-aviation.pdf>

^{viii} <http://www.independent.co.uk/news/world/asia/malaysia-airlines-state-fund-plans-overhaul-of-national-airline-9655896.html>