

# Analysis of Corporate Strategic Management of China Southern Airlines

Tianping Wang

Southwest Petroleum University, Chengdu, 610500, China

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**Abstract:** With the unstoppable trend of economic globalization and the development of China's socialist market economy into a period of high-quality development, market competition is more intense. In order to gain a firm foothold in the market competition or even gain an advantage, it is necessary to carry out strategic management within the enterprise according to its own actual situation, so as to promote the healthy development of the enterprise. Through the implementation of strategic management within the enterprise, it can also provide a decision-making role for its sustainable and healthy development, help managers formulate scientific business plans more systematically and efficiently, build a new management model, and ensure that enterprises have a place in the market competition. As one of the main bodies of China's economic lifeline, the air transport industry plays an irreplaceable role in promoting the development of the world economy, and investors pay more attention to the development prospects of related enterprises whose main business is the air transport industry. Taking China Southern Airlines, a leading enterprise in China's air transport industry, as an example, this paper evaluates and analyzes the competition situation of the industry in which Porter uses Porter's "Five Forces Model", points out the problems in the strategic management of the enterprise, and proposes corresponding measures.

**Keywords:** China Southern Airlines; Strategic Management; Five Forces Model.

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## 1. Introduction

With the increasing competition in the market, especially due to the impact of the new crown epidemic, most companies are facing great pressure to survive. Therefore, companies attach great importance to the formulation of their own strategies and regard them as one of the key factors for their survival. How to determine its own development strategy according to changes in the environment is the top priority for contemporary enterprises to survive healthily.

China Southern Airlines Group Co., Ltd. was established in Guangzhou in the early 90s of the 20th centuries, currently has 8 holding public air transport subsidiaries and 16 branches, and is also committed to developing overseas business and actively integrating with international standards, and is one of the most important airlines in the domestic air transport industry. Based on this, as one of the outstanding enterprises in China's civil aviation industry, China Southern Airlines has persuasive and effective practical reference significance for its relevant strategic analysis. The air transport industry is an industry with a high proportion of fixed assets, with typical industry characteristics such as high investment, high risk and high debt ratio, so most companies in this industry face the risk of debt financing. Therefore, it has important practical significance for the strategic analysis and strategic discussion of China Southern Airlines. This paper will conduct a strategic analysis of China Southern Airlines through Porter's "Five Forces Model", and put forward feasible suggestions for the hidden dangers in the current strategy.

## 2. The Importance of Strategic Management of Enterprises

Corporate strategy refers to the planned planning that a business plans to achieve its business objectives. Strategic management is an important part of modern management concepts, which refers to a series of management activities

carried out by enterprises to achieve strategic goals. In terms of the planning, mode and positioning of enterprise development, enterprise strategic management refers to the goals formulated by enterprises to adapt to their own development based on the characteristics of the times and the market environment they are in.

(1) Help enterprises identify opportunities and challenges

In practice Under normal circumstances, corporate strategic management needs to be holistic. In practice, you can have a clear understanding of the characteristics and development of the industry in which the enterprise is located, and even have a deep understanding of the domestic and foreign market conditions in this field, adopt scientific management methods to summarize the positive and negative factors affecting the business performance of the enterprise, and then help the enterprise identify opportunities and challenges in the development process. On this basis, enterprise managers can formulate new development strategies and refine them into each specific small goal, which is convenient for the ultimate realization of strategic goals. Secondly, the internal and external environment of the enterprise is dynamically changing, and managers should make certain modifications to the strategy through reasonable strategic management and scientific prediction of the future development of the enterprise through reasonable strategic management, so as to avoid or reduce the occurrence of unreasonable behavior. Only by helping enterprises seize opportunities and identify challenges in practice, and prevent and reduce losses in a timely manner when dealing with unknown risks, can we promote enterprises to achieve sustainable and healthy development goals.

(2) Contribute to improving the core competitiveness of enterprises

At the beginning of the development of the enterprise, if there is no scientific and reasonable strategic management, then the development of relevant business activities will be chaotic and unplanned, and the development of the enterprise

will definitely encounter many obstacles. Therefore, doing a good job in the strategic management of enterprises will help enterprises achieve healthy development. In the process of strategic management, enterprises can help their managers to more fully understand the advantages and disadvantages of all aspects of the enterprise, and then according to their own and industry characteristics, develop their strengths and avoid their weaknesses, expand their advantages, realize the professional development of enterprises, and reduce operating costs. This is conducive to the enterprise positioning its own development direction, consolidating the market position of the enterprise, and continuously improving the comprehensive competitiveness of the enterprise. In addition, after the enterprise determines the development strategy, the regular optimization of various long-term or short-term plans is more conducive to improving the core competitiveness of the enterprise.

(3) It helps enterprises improve resource utilization efficiency

Enterprises can effectively integrate resources through strategic management, make full use of internal and external resources, and improve the utilization rate of resources. In the process of implementing strategic management of enterprises, managers are required to reasonably coordinate various departments, let each department carry out a high degree of cooperation, and carry out complementary aspects at different levels within the enterprise. At the same time, the head of each department should actively cooperate with the work of the superior, provide new ideas and actively participate in the strategy formulation process, so as to maximize the use of the company's resources, so as to improve the comprehensive strength of the enterprise.

### 3. Strategic Analysis of China Southern Airlines

In 2016, China's economic macro environment gradually improved, market development has great potential, China Southern Airlines began to fully implement the "three-two-four-five-three" strategic framework as the comprehensive expansion strategy.

(1) Competition among Existing Enterprises

With the development of economic globalization, more and more airlines realize that "going it alone" can no longer adapt to the trend of market competition, and begin to seek new business models. In an increasingly competitive aviation industry, most leading airlines choose to form multinational alliances to avoid being eliminated in the market. In the context of the "global village", if domestic aviation companies want to occupy a favorable position in market competition, they must continue to integrate resources and expand their scale, so as to make themselves occupy a more favorable position in market competition. Among the enterprises in related industries in China, there are only a few large airlines that can be compared with China Southern Airlines, but most of these companies are responsible for different fields and do not have too much direct competition. Therefore, China Southern Airlines should focus on its own development, and how to make itself bigger and stronger is a difficult problem faced by China Southern Airlines.

(2) Entry of potential competitors

The air transport industry is an important industry related to people's daily rest, and it is an industry strongly supported by national policies. Compared with other industries, the

entry threshold of this industry is high, and the entry cost is also high. Therefore, there are very few potential domestic competitors that can compete with China Southern Airlines, and it has an absolute right to speak in the aviation industry. The key to entering this industry is the acquisition of funds and routes. No airline, no matter how large, can cover all routes, and this creates the possibility of potential competitors with deep pockets entering the industry. However, the price of crude oil has been rising recently. I don't know when this trend will change. Therefore, most investors will not choose to enter the industry at this time. And although the passenger load factor of the aviation industry continues to rise, the current market situation is still oversupplied, so the entry of potential competitors will not pose a great threat to China Southern Airlines.

(3) Threats of Substitutes

Air transport companies provide services to transport customers and goods, and high-speed rail, trains, ships and some long-distance buses also play a role in the market. Compared to its alternatives, both sides have advantages and disadvantages. Air freight has significant advantages, namely convenience and time-saving; But at the same time, there is a fatal flaw: high cost. This "imperfection" makes the existence of substitutes inevitable. Other alternatives are much higher than aircraft due to their relatively low cost and low price, and less affected by natural environmental factors such as weather, and when customer time permits. Moreover, with the strong support of the state for the railway industry, high-speed rail lines are frequently opened, directly competing with China Southern Airlines' domestic routes. In the domestic market, the major impact of high-speed rail on the civil aviation industry has reduced its market share, but high-speed rail is affected by geographical factors, and some remote areas still cannot open lines. China Southern Airlines can choose to expand its flight distance and expand into the international market. At the same time, for some high-quality customers who value time, time is cost, and most of them will choose airplanes as a time-saving travel method. Therefore, China Southern Airlines should give full play to this advantage, control the punctuality of aircraft take-off and landing, shorten the time of the transfer station, and pay attention to the improvement of service quality. Looking at the overall situation, the biggest potential competitor in the aviation industry is actually the prevalence of high-speed rail, and its development will have a certain impact on the business performance of China Southern Airlines.

(4) Bargaining Power of Suppliers

China Southern Airlines is currently the airline company with the largest number of aircraft in my country, and its main supplier of aircraft is Boeing, the world's largest aircraft manufacturer. The service life of ordinary aircraft is generally quite long, and the purchase pressure can be slightly relieved in the procurement of aircraft. However, crude oil is the power source of aircraft, and my country, as a country with scarce crude oil, mainly relies on imports from abroad. Increasing crude oil reserves is the key to success. For the reserve of aircraft, you can choose to purchase from Boeing, or you can choose to purchase by financing lease. In addition, the number of other suppliers is also very large. Therefore, for China Southern Airlines, the supplier's bargaining power is not strong.

(5) Bargaining power of customers

With the Chinese government's strong support for the aviation industry, more and more companies have entered the

industry, but China Southern Airlines still has an unshakable position. At this stage, the scale of operation of China Southern Airlines ranks first in the country. In addition, China Southern Airlines also has the advantages of a wide route coverage, a large number of transport aircraft, and a large annual passenger volume, and it is an airline that maintains the safest flight record. The above advantages make China Southern Airlines have an absolute advantage in the hearts of customers.

#### **4. The Status Quo of China Southern Airlines' Strategic Management**

With the mission of building "Sunshine Southern Airlines", the cultural concept of "customer first, respect for talents, pursuit of excellence, continuous innovation and love return", and the vision of "becoming the first choice of customers and loved by employees", China Southern Airlines is committed to building a world-class air transport enterprise with global competitiveness, and has always run through this purpose in the development of enterprises, accelerate the construction of safety and quality, enhance the competitiveness of corporate brands, and achieve more profits.

(1) Too much emphasis on short-term business performance and neglect of long-term benefits

When analyzing the current situation of strategic management in domestic enterprises, we can find a common phenomenon, that is, when most enterprises implement strategic management, they do not have a good understanding of corporate strategy and strategic management, nor do they know its importance. This directly leads to a lot of unnecessary energy invested in the market during the strategic management period of the enterprise, making the formulated strategy unable to stably obtain long-term benefits, which in turn has a negative impact on the strategic planning of the enterprise.

Studies have shown that under market economy conditions, enterprises in various industries are mainly composed of small and medium-sized enterprises, and these enterprises have no obvious competitive advantage over China Southern Airlines. However, the aerospace transportation industry in which China Southern Airlines is located has typical industry characteristics such as high investment and high risk, which severely limits the development scale of the enterprise. Secondly, China Southern Airlines pays too much attention to the expansion of its market scale and short-term operating performance in its strategic management, which leads to the failure of the company to pay attention to long-term benefits in a timely manner, so that the advantages of corporate strategy cannot be fully utilized, and resources cannot be effectively utilized. configuration and utilization. The proportion of fixed assets of China Southern Airlines, and capital income has a delay. Therefore, in the process of strategic management, enterprise managers will pursue the current short-term benefits too much.

(2) Insufficient technical level and management tools of strategic management

The research shows that during the implementation of strategic management, China Southern Airlines still mainly relies on human resources for management, and the management tools used have not been updated in time. In this regard, the level of foreign countries is generally better than domestic. China Southern Airlines can introduce excellent foreign management concepts and management tools to

improve the technical level of enterprise management. However, due to the wide business scope of China Southern Airlines and the many branches under its name, it cannot be widely used and the degree of use is not high. Therefore, the strategic management of China Southern Airlines cannot be supported by advanced technology and tools, coupled with the complexity of the management work itself, resulting in unsatisfactory efficiency of strategic management.

(3) Lack of management talents

Human resources are one of the most active factors in an enterprise, and the competition among modern enterprises has gradually turned into a competition for talents. In order to maximize the role of strategic management, China Southern Airlines must rely on the support of high-quality, professional talents. But not only China Southern Airlines, many enterprises in our country lack management talents. Therefore, the strategic management of China Southern Airlines cannot be effectively carried out, and the strategy formulated by the enterprise cannot be carried out.

#### **5. Southern Airlines' Strategy to Promote Strategic Management**

The implementation of effective strategic management can greatly enhance the cohesion and cohesion of employees. For a good enterprise operation, the entire enterprise will work together towards the goal of strategic management, form a joint force between management and work, continuously promote the implementation of strategic management measures, and then achieve the development goals of each stage. As one of the industry leaders, China Southern Airlines must fully realize the importance of strategic management, and use effective strategic management to stabilize and promote the company's progress and development, and continuously expand its market share.

(1) Establish a long-term vision and build a holistic thinking

Short-lived success is not considered success, especially for businesses. In the market competition, enterprises will only become the ultimate winner if they persist to the end and win the final victory. Therefore, in strategic management, China Southern Airlines should pay attention to the construction of overall thinking and overall view, not only consider the short-term benefits of the enterprise, and establish long-term development goals. Strategy itself is a plan for the long-term development of the enterprise, to clarify the internal and external environment of the enterprise's survival, such as the political environment, technical environment, etc., based on this, do a good job in the determination of the corporate strategy, and finally complete the strategic management efficiently. For an industry such as China Southern Airlines, which has high investment and high-risk characteristics in the early stage, it should pay more attention to the long-term development of the enterprise.

(2) Introduce emerging management methods and management techniques

The study pointed out that most enterprises in strategic management have actively cited scientific emerging technologies, and even a single tool can no longer meet the needs of modern enterprise development, some enterprises began to combine different tools, such as BLM and balanced scorecard combination, its coverage is more comprehensive, the higher the requirements for enterprise managers in the

process of formulating strategy. As an enterprise in the transportation industry, the vigorous development of Internet technology has also brought it certain convenience, saving the company's labor costs in technology, such as the popularity of electronic tickets and self-service check-in systems, which require China Southern Airlines to introduce emerging technologies for support.

Based on this, determine the strategy and measurement indicators of the enterprise, promote the execution of employees, work actively, and help the development of related work by using scientific management methods and management techniques in corporate strategic management. Based on this, determine and formulate measurement indicators, improve strategic management and execution, implement accurate visual Kanban management of strategic goals, compare differences, and actively work, so as to help the development of related work through the use of high and new technologies, tools and methods in enterprise strategic management and precision construction.

### (3) Pay attention to the cultivation of management talents

The overall level of employee quality and ability has a decisive impact on the overall development level of the enterprise. Therefore, if enterprises want to improve the basic management capabilities and deeply grasp all links including corporate strategic positioning, they must pay attention to the cultivation of talents and do a good job in human resource planning, so that the reserve talent pool of enterprises can meet the needs of enterprise human resources anytime and anywhere.

For China Southern Airlines, the quality of employees is more important for customer solicitation. Enterprises should first regularly re-plan their human resources to form a lean and efficient high-quality team; At the beginning of the employees on boarding, actively organize training activities, especially on topics related to organizational values and organizational culture, or conduct case studies around the company's strategy to increase employees' awareness of the company. Secondly, for different professional talents, tailor-made and provide training in different specialties. Enterprises attach importance to the training of employees, which can not only improve the comprehensive quality of employees, but also help enterprises solve various problems more flexibly and provide strong support for the development of enterprises. When training employees, China Southern Airlines should pay attention to the combination of theory and practice, and abandon the traditional "indoctrination" training, so as to improve training efficiency and training benefits. However, after training, enterprises should avoid the problem of employee turnover to avoid wasting training resources.

## 6. Conclusion

In summary, strategic management plays an important role in the development of enterprises, and effective strategic management can combine the relevant measures formulated to adapt to the future development of enterprises in combination with the actual situation of enterprises, so as to ensure that enterprises can achieve long-term development. Therefore, China Southern Airlines can only help enterprises achieve sustainable development and improve market competitiveness only by doing a good job in corporate strategic management and precision.

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