Dissertation

“To analyse the feasibility of business diversification as a mitigation strategy to compensate impact of GCC crisis within aviation industry: A Case Study on Qatar Airways.”

Cardiff Metropolitan University
Cardiff School of Management
Advanced Entry MBA Program

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Thanks to all fellow classmate, though the learning was mostly virtual, we felt like a family. Thanks to the social media tools that keep us connected.
DECLARATION

This work is being submitted in partial fulfilment of the requirements for the degree of
MBA and has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed: Mourad Dehbi

Date: 16/05/18

STATEMENT 1

This dissertation is the result of my own work and investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s).

Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed: Mourad Dehbi

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STATEMENT 2

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Supervisor Declaration Form

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I acknowledge that the above named student has regularly attended the planned meetings and actively engaged in the dissertation supervision process. They have provided regular timely draft chapters of the dissertation and followed given guidance.

Signed  .............................................

Date  .............................................
Abstract

Due to the constant change in the geopolitical and diplomatic situations of the world, many countries are living in crisis. This report focused on the current GCC crisis where 4 Arabic counties (UAE, Saudi Arabia, Bahrain and Egypt) decided to cut tie with Qatar, suspend air connectivity to and from Qatar, and ban Qatar Airways from using their airspace. This diplomatic rift has impacted business organisations in the region particularly aviation industry. Hence, this study highlights the consequences of the crisis and its impact on the airline business in the Gulf region.

In order to establish a deep understanding of the mitigation tools to tackle a crisis, the author has investigated whether business diversification can be used as a mitigation strategy to minimise the effect of the GCC crisis. Academically, not many scholars have evaluated the link between the crisis and business diversification, and that fact is one of the key motivators behind this case study. However, the author used vast a verity of literature reviews from well-recognised academics and authors to analyse both variables crisis and business diversification.

This case study is conducted on Qatar Airways as it is the most impacted airline in the blockade. Thus, the main sources of data presented in this research are collected from secondary sources such as interviews that have taken place with the GCEO of Qatar Airways Akbar al Baker. In addition to various document and articles published by reputed business and news agencies.
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Chapter 1: Introduction

1.1. Introduction

The core purpose of this chapter is to provide an outline of the dissertation, defining the key motivators that urge the author to explore this research topic is another aspect that this section aims to achieve. Another aspect that this chapter has covered is projected objectives and research question. Furthermore, this part includes a summary of the key methods that have been used to evaluate the research topic.

1.2. Corporate profile of Qatar Airways

This case study is conducted on Qatar Airways (QR) one of the best airlines in the world. QR was established on 22nd November, 1993, however, it has started operations in 1994, precisely on 20th January. The company was relaunched again in 1997 under new management team spearheaded by the current GCEO Mr. Akbar Al Baker. Since then, the airline has won multiple awards and accolades (Qatar Airways, 2018). According to Qatar Airways (2018) website, the airline operates a fleet of more than 200 aircraft to 153 destinations. The national carrier of Qatar has a vast verity of investments such as equities on other airlines, hotels, real estate, retail and other more businesses that will be discussed in detail in this research.

QR has built a strong reputation in the market by providing a unique product to its customers, and that one of the key contributors that has supported QR to win the airline of the year at the 2017 Skytrax award, furthermore, QR is Certified with the 5-Star Airline Rating for the quality of its onboard product and staff service, and the state of art airport (skytraxratings, 2017). QR employs more than 42000 personnel dedicated to support the airline to achieve its primary vision of being a world-class global brand (Qatar Airways, 2018).

Recently, QR’s operation has been affected due the political rift taken against Qatar, the airline was forcefully stopped from flying to 4 key countries Saudi Arabia, Bahrain, UAE and Egypt. Additionally, the airline was restricted from flying over those particular countries which have negatively affected QR’s business.

1.3. Rationale
The overall world is evolving with a radical change and the international economy is struggling with many challenges such as political conflict, social troubles, wars and extremist ideologies, all these factors have put several organizations at stake (Xing, 2012). For instance, due the recent crisis in the GCC many organisations have been affected negatively.

On 5th June, 2017, four Arabic countries decided to cut ties with Qatar, UAE, Saudi Arabia, Egypt and Bahrain have announced a shocking news to the state of Qatar, they claim that Doha’s regional policies were fuelling extremism and terrorism (Stephens, 2017). Therefore, the four countries decided to cut air, sea and land transport links as punishment measures towards Qatar. As consequence, International and local businesses based in Qatar has shown their concern because most of their operations is linked with the blockading countries, some of them have even gone further and threaten to change their strategies and shift their businesses elsewhere (express, 2017). Among the most impacted organisations is QR the national carrier of Qatar, it has lost 18 destinations and 50 flights daily. On the other hand, the airlines belong to the blockading counties has also suspended flight from and to Doha, for example, Etihad lost 4 daily flights, Emirates lost 6 daily flights, Gulf air lost 4 daily flights (BBC, 2017). According to CAPA Centre for Aviation (2017) aviation industry in the GCC region has been affected after the ban. Adding to that, the QR’s GCEO has confirmed that the air connectivity has lost its trust. All these factors have urged the author to investigate the impact of the crisis on the aviation industry in the region and explore strategies that could lessen the impact of the crisis on the airlines in the GCC area.

The author has chosen to investigate the feasibility of business diversification as a mitigation strategy to compensate the impact of GCC crisis within the aviation industry. Business diversification is an effective strategy that helps organisations to diversify their source of income and establish various revenue streams to strengthen the company’s position in the market, and provide organisations with alternatives in case of one business performance is affected due to a crisis (Haldar, 2016). Various strategies will be discussed in this case study, and establish the link between the two variables which are crisis and business diversification. This case study will investigate various diversification strategies that have been discussed by scholars and practitioners, in order to define the best strategies that suits the airlines and can
assist them to persevere during a downfall. By the end of this project the author will provide a set of recommendations based on the critical analysis of the information collected from literature review as well as the secondary data extracted from QR’s GCEO interviews. Airlines in the region could benefit from the recommendations and imbed one of the evaluated strategies to survive in competitive pressure emerged from similar crisis.

The author has a great interest to study this topic further as most of the information provided is qualitative in its nature, and it would have been ideal if the financial report (2017/2018) of QR is released before the submission date of this report, this could have added a value to the project by the analysing the financial report pre and post-crisis.

1.4. Research Question and Objectives
1.4.1. Research Question

The research question is aimed at developing the knowledge of the topic. Moreover, the research question will subsequently inform your choice of research strategy, your choices of collection techniques and analysis procedures, and the time horizon over which you undertake your research project (Saunderss et al., 2012: p136). Hence, it is significant to clearly form and define the research question.

The research question decided for this project is:

How business diversification can be used as mitigation strategy to compensate the revenue loss of airlines during the GCC crisis?

1.4.2. Research Objectives

Saunders et al., (2012: p137) consider research objectives as clear, specific statements that identify what the researcher wishes to accomplish as a result of doing the research. For that reasons the author decided to establish clear and precise research objectives that he aims to fulfil this particular research. This project’s target to meet the below objectives:

- Critically analyse the current situation of GCC and how it has impacted aviation industry.
- Evaluate how business diversification can be used as a mitigation strategy to support airlines in the region to overcome the crisis.
➢ Review the best strategies that organizations can adapt to sustain competitive pressure in crisis.

1.5. Methodology

This research will mainly depend on secondary data collection to analyse the research topic, the information will be collected from recorded interviews of QR’s GCEO and various documents. Most of the questions that the author want to answer are available online. Directly after the crisis, news and business channels have hosted an interview with Akbar Al Baker to ask him questions vis-à-vis the crisis and the organizational reaction towards the critical situation that airline goes through. It is generally believed that getting the information from the concerned person is the major advantage of the interviews (Armstrong and Taylor, 2013:p124)

The data collected from the previously stated methods will be categories and analysed qualitatively in order to establish themes, elucidate and examine the research topic and define the connotation between the business diversification and crisis variables.

As far as this study is concerned the data collected was referenced in an ethical manner. There was no requirement to obtain a consent from any party involved in this particular project as all the data is available to the public online. The GCC crisis was the hot topic of all the news and business agencies. To ensure this research is conducted in an ethical manner, all the information that has been used is referenced in a line with the universities’ ethical rules and regulations.

1.6. Chapters Outline

This study composed of 5 chapters, this structure enables the reader run through the research swiftly and establish a clear understanding each chapter.

Chapter 1: Introduction

The core purpose of this chapter is to provide an outline of the dissertation, define the key motivator that urges the writer to explore the research topic is another aspect that this section aims to achieve. The project objectives and research questions will be discussed in this particular chapter. Furthermore, this part will include a summary of the key methods that have been used to evaluate the research topic.
Chapter 2: Literature Review

This chapter discusses and evaluates the literature and other secondary sources related to the research topic to establish a deeper understanding of the crises and its impact on the economic situation of Qatar and its national airline Qatar Airways. Another significant part of this chapter is to explore whether business diversification can be considered as a mitigation strategy to overcome the GCC crisis. For the purpose of having a wider overview and assess the topic from different angles, I have reviewed multiple academic sources such as books, articles, journals and online materials. Moreover, a critical evaluation of the authors’ ideologies was conducted while discussing theories pertaining to the research question.

Chapter 3: Methodology

This particular chapter will discuss the methodology adopted to execute this research and the phases involved to investigate the research questions. It covers several principles and theories from recognized scholars to facilitate the evaluation of this case study in an effective manner.

Chapter 4 Findings and analysis

This chapter is aimed to organize and analyse the collected data from the interviews and documents published online by Qatar Airways and news agencies. The questions and answers will be extracted from different sources in order to have a reliable information and counter check the data. The author has based his study on secondary data. Hence, he has selected three different interviews of Qatar Airways GCEO (Group Chief Executive Officer) Mr. Akbar Al-Baker with three news channels in order to answer the research questions and establish meaningful analysis. He also tried to establish a link between the findings and the literature review discussed in chapter 2 in order to fulfil the research objectives.

Chapter 5: conclusion and recommendations

This chapter is aiming at drawing a significant conclusion, and propose effective recommendations inspired by the critical analysis of the findings and in-depth review of the literature review. Furthermore, in order to reveal and address the core issues of this study the author has taken a careful attempt to answer the research question and fulfil the research objectives.
Chapter 2 Literature review

2.1. Introduction

This chapter discusses and evaluates the literature and other secondary sources related to the research topic to establish a deeper understanding of the crises and its impact on economic situation of Qatar and its national airline Qatar Airways. Another significant part of this chapter is to explore whether business diversification can be considered as a mitigation strategy to overcome the GCC crisis. For the purpose of having a wider overview and assess the topic from different angles, I have reviewed multiple academic sources such as books, articles, journals and online materials. Moreover, a critical evaluation of the authors’ ideologies was conducted while discussing theories pertaining to the research question.

2.2. Crisis Management

2.2.1. Crisis definition

A crisis is generally considered as a negative event that causes instability and challenges the status quo. Academics define crisis as a dramatic and challenging situation which create a harm to people and deviate them from their ordinary life (Antonová and Zapletalova, 2014; Prezelj et al., 2008). However, According to Bundy et al. (2017) research, the crisis and crisis management remain fragmented. From a different perspective, in an organization crisis is perceived by managers and stakeholders as an unexpected event that can threaten the companies’ strategic objective and disrupt its operations (Christensen et al., 2011; Kahn et al., 2013). The traditional definition of word crisis originated from the Greek ‘krasis’, which means differentiation or decision (Glaesser, 2006).

Bundy et al. (2017) claim that crisis refers to the status when a complex system functions poorly and requires an immediate decision. In an organizational context, crisis is anything that would occur and harm the firm’s image in the external environment (Sisco, 2010). Combs (2014) has categorized the crisis into three phases starting with pre-crisis stage which involves prevention and preparation to reduce the impact of the crisis, followed by crisis stage where organization response to the crisis, and finally the post-crisis stage that encompasses the learning and revision.
2.2.2. GCC crisis

On Monday 5th June a diplomatic rift has taken place against Qatar. The four Arab countries the United Arab Emirates, Saudi Arabia, Bahrain has decided to cut tie with the state of Qatar (Stephens, 2017; Andrew, 2017). This historical and political tension between Qatar and its neighbours is the highlight of the international community as it was unpredictable. The blockading countries accused Qatar of supporting terrorism and fuelling extremism (Hatoum, 2017; BBC, 2017; Brinded, 2017). This is not the first time when GCC countries have a conflicts with Qatar. Figure 1 demonstrates the historical issues emerging between the said nations. However, the relation has never reached the stage of land, air and sea blockade, besides a stick economic by not allowing goods, medicine and important supply to reach Qatar. (EIU, 2017)

![Figure 1 history of tension, proxy wars and coups (EIU, 2017)](image)

This political conflict has cost the neighbours billions of dollars by slowing trade and investment and making it more expensive for the region to borrow money as it grapples with low oil prices (Andrew Torchia, 2017). The impact of the crisis is enormous and some of the reputed international organizations started seeking alternatives and new opportunities elsewhere, due to the complications they are facing to operate their businesses (express, 2017). The national carrier of Qatar lost almost 50 daily flights to its key destinations in the
GCC as it was a shocking event for the airline to lose 18% of its total seating capacity (Johnson & Huxham, 2017). When the airline was preparing to celebrate its highest profitable year, since, its establishment in 1994, the company received the news that it is banned from flying to or over Saudi Arabia, United Arab Emirates, Bahrain and Egypt (Latif, 2017; Qatar Airways, 2017). According to Gulf-times (2017) as soon as the crisis occurred, Qatar Airways started exploring possible options to compensate the loss of significant markets. As part of its diversification strategies, QR introduced new product called ‘Qsuit’ an extensive expansion plan and investment in other business out of aviation industry.

2.2.3. Impact of crisis

A study conducted by Marius et al. (2014) on the impact of the economic crisis that hit Romanian in 2008, the country’s economy experiences a significant decrease of investment and most companies recorded a negative growth rate. In the same year the world economy was unstable due to the global financial crisis, for instance, Asian economies were adversely affected by the collapse in trade following the slowdown in global demand (Batten et al., 2011:p131). During the crisis, many companies prefers to condense its operational cost using all possible solution including laying off employees (Simona and Daniela, 2010; Antonová and Zapletalova, 2014).

There is a popular and a common belief that crisis has only a negative impact. However, the crisis can lead either to a negative or positive outcome (Mishra, 1996: p2). Crisis events were often thought of as a negative phenomenon that creates a damage, disturbance and uncertainty to the organizations and threatens their existence (Özdemir & Balkan, 2016). Additionally, the crisis can originate panic, fear and wrong decision making if it is not managed well, for these reasons companies ought to diminish the negative impact of the crisis and exploit the opportunities emerged from the crisis (Kovoor-Misra, 2001: p81; Ataman, 2001: p238). Therefore, business leaders should focus on the brighter side of the crisis, it plays a substantial role in identifying organization's weaknesses, furthermore, it helps manager to gain new skills, adapt to change and create new strategies to convert the crisis negative impact into competitive advantage, and help the company to sustain its position in the market. (Tutar, 2001: p95)
The ongoing GCC crisis has posed a negative impact on Qatar Airways. Saudi Arabia, Bahrain, UAE and Egypt have stopped the national airline of Qatar from using their airspace and suspend all the flights from and to Doha the capital city of Qatar, the blockade has forced the airline to deviate its operations through Turkey and Iran which resulted in a significant increase of the flying hours, particularly to Africa and South America (Johnson & Huxham, 2017; Atkinson, 2017). Figure 2. shows two screenshots the right one demonstrates the airspace of the countries involved in the diplomatic rift and the second picture indicates the single route of qatar aiways aircraft to the world.

Figure 2 Qatar Airspace and Qatar Airways single root out of Doha (Aljazeera, 2017)

Qatar Airways GCEO has acknowledged there has been a financial impact following the crisis (Gulfbusiness, 2018). On the other hand, carriers belong to the blockading countries has also lost out with the suspension of their Doha route, the intention was to benefit the maximum from the crisis and boost their passenger capacity. However, according to CAPA the center of aviation, the ban affects the reputation of Gulf aviation in general (khaleejtimes, 2017). This argument illustrates that the impact of the crisis has affected the aviation industry in the region and not only a particular airline. In a response to the crisis, Qatar Airways has launched various strategies to manage the crisis effectively and continue its expansion and service enhancement plans (Johnson & Huxham, 2017).
2.2.4. Managing the crisis

Crisis management is known among scholars as a set of factors fashioned to battle crises, precisely the major actions taken to decrease the actual harm and damage inflicted by the crisis (Coombs, 2015; Shrivastava & Statler, 2012; Bowers et al., 2017). According to Baubion (2013) the process of managing the crisis composed of 3 substantial phases: preparedness before crisis, response to limit damages during the crisis and feedback after the crisis. From a different perspective, crisis management requires more time and resources than initially perceived, and the reaction of the organization towards the crisis determines the rout of recovery and organizational future performance (Bowers et al., 2017).

‘Crisis management is by nature a fragmented, complex, and disjointed area and a growing number of cases and problems do not fit into the traditionally functional structure of polities’ (Kettl, 2004). Hence, majority of crises develop because leaders within the organization fail to recognize emerging issues at early stage, and subsequently establish an effective action plan to tackle the crisis (Weiner, 2006). Furthermore, organizations usually assumes they may not be subjected to crisis or adopt (this will never happen to us) attitude (Lockwood, 2005). Hickman and Crandall (1997: 75) advocated that regardless the past crises and the huge amount of money wasted as consequence of the crises, organizations did not learn to prepare for disasters, and management pays less attention to this subject. Lockwood (2005)
introduced five major reasons on why managers and organizations fail to manage crisis accordingly:

1. ‘Denial of an impending threat to the organization;

2. A reluctance to make crisis preparedness a priority;

3. A lack of awareness of the risks inherent to the business;

4. Ignorance of warning signs accompanied by a failure to critically analyse the organization’s own history or the disaster experiences of others in the industry or locale; and

5. Reliance on weak, untested plans that will not effectively protect organizations in a real crisis.’

To have an optimal control on crisis, the author introduced Figure 3, that illustrates a simple infographic on how to manage crises effectively. It includes the best practices and policies that can support organization to lessen the impact of the crisis.

![Crisis Management Practices & Principles](image)

**Figure 3. Crisis Management Practices & Principles (Kalita, 2014)**

The aviation industry is a very fragile business in nature as companies can lose their brand name in a single crisis. Hence, crisis management is a key competency that most
organisational leaders should process to save the firm from the impact crisis. For example, British Airways has suffered from various crisis over the last years and one of them was the Heathrow crash crisis. According to several sources, the crisis management team of British Airways has responded very well, the company has established an effective and efficient methods of communication, the care was shown to the victims of the crisis and their families not just only during the crisis, but through the post-crisis phase (Grundy & Moxon, 2013). In order to manage the crisis successfully, Muffet-Willett and Kruse (2009) suggested that the crisis leaders should be flexible, adaptive and prepared for tough decision-making challenges whatever the cause or situational context.

2.3. Business diversification strategies

Business diversification strategies have been debated and searched by many scholars for decades (Ansoff’s, 1965; Rumelt, 1982; Grosse, 2013; Hann et al., 2013; Thomas, 2015). Business diversification mostly defined as the fact when an organization expend its operations or enter new market that is different than its existing one, or innovate a product that is diverse from its current product line (Johnson et al., 2002; Rumelt, 1982). Ülgen (2004) advocates that diversification strategy also considered as a long term plan crafted by senior executives within an organization to accomplish business growth and diversify their business prospects and take advantage of future opportunities. Organization expect a positive result out of diversification strategies, the basic motivation is to enhance ROI by moving into business areas with high ROI prospects (Denny, 2014). Thus, diversification has became progressively a vital characteristic of practicing business in the world nowadays (Elango and Ma 2003).

Generally, diversification strategies categorized into two classifications, a core business based known as related diversification, and unrelated diversification when an organization enters new production line or market that is not affiliated to the existing business (Rumelt, 1982; Anil, 2011). To elaborate more on both categories, Johnson (2002) claim that related diversification is a market expansion within the same sector. Unlike, unrelated diversification that involves entering new market or design product that is not associated with the exiting one (Craig and Robert, 1993). From a different standpoint, Ansoff (1965) proposes that related diversification is likely to be carried out via internal growth while unrelated
diversification is more likely to be pursued through acquisition. In order to comprehend the difference between both strategies, several researches were conducted to compare related and unrelated diversification, the findings confirmed that related diversification yields significant performance advantages, it poses less risk and highly profitable compared to unrelated diversification (Chiu, 2007).

Though organizations aspire to enhance their performance and increase their profit margin by adopting various diversification strategies, it is essential to select an effective strategy that suits their shape and environment. Even though, diversification helps firms to protect against major pitfalls of business downturns (Kokemuller, 2013). Xaxx (2015) argues that if diversification isn't approached with caution, the result can be an overextension of a company's resources, furthermore, companies diversify too widely, this can diminish their focus, increase their bureaucratic apathy and lessen their ability to respond promptly and creatively to market changes.

Giant organizations usually adopt parenting strategies to manage their diversified portfolio, the aim of this strategy is to create an added value and place the business in a competitive position (Goold, 1996). The parenting strategy has been discussed widely among authors, their focus was on the advantage of the parenting concept, some of them agreed that the corporate parents add value the business sections and embed effective decision-making strategies compared to stand alone entities that is exposed to the capital market. It also creates an efficient internal market where the capital distribution is done effectively among business unit. Moreover, business units are protected from the external capital market. Corporate parenting also adds value by assisting business sections for improving their operational performance through interference in ongoing business activities. Another significant advantage of corporate parenting is to improve and standardize internal process to optimize operations performance, this approach helps business units to benefit from economy of scope due to the collaborative operations within an integrated value chain (Salter and Weinhold, 1979; Rappaport, 1990; Goold, 1996; Palich et al., 2000; Barker et al., 2001; Kruehler et al., 2012). Conversely, Jensen (1986); Shleifer and Vishny (1989); Shin and Stulz (1998) argue that corporate parenting may also have a negative impact by resulting in expensive or ineffective strategic decisions compared to stand along entities. Additionally, the corporate
parents may abolish value for business units by using the organization financial resources to maintain unfavourable projects alive to justify past investment decision and invest in familiar industries instead those with the highest value creation potential. They have also advocated that senior management at corporate level may not be interested in the future success of the organization, their expectation from the growth and expansion is to upsurge their own influence within the firm. Furthermore, the business unit managers may not be motivated due to the constant interference of the corporate executives in their business (Brusco and Panunzi, 2005).

Organizations aspire to create a value by adopting several strategies that suit their business profile. Porter (1985) claim that in order for an organization to gain a competitive advantage in the market, it should consider two effective strategies: low cost or differentiation. He further explained that low cost strategy involves lowering the operational cost and larger production as a consequence firms could exploit economies of scale to generate more profit, on the other hand, differentiation is aimed to create a product or service that is superior and distinct than what is offered by the competitors, this strategy focus on customers that appreciate differentiation and are not necessarily driven by cost. From a different perspective, if firms plan to achieve a competitive advantage through business diversification strategies, there should be an exchange of benefit between the corporation and the new business unit. According to Porter (1987) it is essential for corporations prior formulating a diversification strategy to conduct three vital tests:

- **The attractiveness test:** the industry selected for diversification ought to be attractive or capable of being made attractive.
- **The cost-of-entry test:** the cost of entry must not capitalize all the future profits.
- **The better-off test:** either the new business unit should gain competitive advantage from its association with the corporation or vice versa.

All types of corporations strive for growth, profit and competitive position in the market. Hence, several scholars have created tools to guides firms to establish strategies that will help them to achieve their core objectives (Johnson et al., 2008). For instance, Ansoff (1957) has designed matrix to assist businesses to analyze and plan strategies for growth. Also, this tool enable firms to explore opportunities and define implications of expanding the business
through existing or new product in existing or new markets. Figure 4. present four different growth strategies options, one dimension of the tool illustrates products (current vs new) and the other dimension indicates markets (current vs new). As far as diversification strategy is concerned, companies are seeking to implement this strategy aims to identify new market in which the business is currently not active and developing new product to sell to the new market. However, this is considered the highest risk strategy compare to the other three, as businesses operate outside their existing knowledge base and no experience in the new market (Fme, 2013)

Figure 4 the Ansoff Matrix

The classical example of the risk involved in diversification strategy is when Virgin Corporation decided to enter train business, this move was not successful, even though the firm has experience in the transport market. The company may have been successfully running an airline, however, its performance was poor in rail way services (Fme, 2013). Therefore, it is vital for any organisation planning to diversify its business to conduct a risk analysis before they step into a new market introducing new product (Kruehler et al., 2012).
There is a lack of academic coverage that discusses the connection between business crisis and business diversification (Antonová and Zapletalova, 2014). However, several authors have revealed their opinion pertaining to business crisis and business diversification. For instance, Sousa (2016) confirmed that both economic and economic policies of diversification, are long-term processes, it is hard to tackle an economic crisis by only stressing the desire to diversify the business. On the other hand, Haldar (2016) argued that throughout a crisis diversified firms are more armed to perform as well as survive due to their diversified nature. Controversely, it is not guaranteed that diversification will protect companies during a market crisis (Anil and Yiğit, 2011; Koesterich, 2015).

During a turmoil, diversified airlines depend on their financial advantage to regain the market trust and establish a solid risk profile to absorb the crisis and develop a strong foundation for future evolution (Beckmann et al., 2012). Diversification empowers airlines to avoid dependence on one product line, to achieve greater stability of profits, to make greater use of an existing distribution system and to acquire value chain know-how (Aaker, 2004). However, if the airline is lacking the vision and strategy to diversify its businesses it may be subjected to an enormous loss. For instance, Etihad Airways has spent the majority of this financial year struggling with hitches related to its investments in struggling airlines. The national career of UAE has declared a loss of $1.9bn out of which $808m damage related to its equity stakes (Powley & Rekk, 2017). On the other hand, it is not necessary for airlines to adopt diversification strategies to overcome economic crisis. Vos et al. (2011:p26) claim that diversification is used only to lessen external vulnerability and gain market access to new investment opportunities.

In order to understand the association between business diversification and crisis, Wibaut and Wilford (2009) performed a research and they found that overtime there is a correlation change and the benefit of diversification heavily reduces during a crisis. However, this philosophy does not seem correct for other authors. Berg et al. (2016), Kemper and Simkins (2012) agree that diversified organizations deploy their financial advantage and the market trust to tackle crisis challenges and consider crisis as an investment opportunity to expend their business. Moreover, Beckmann et al. (2012) claimed that diversified companies perform better during the crisis rather than focused organizations. It is globally trusted that diversified
companies have a strong foundation to survive during business pitfalls. Conversely, some scholars advocate that diversification leads to substandard performance during a crisis (Servaes, 2002; Delios et al., 2008).

As previously discussed there are two types of diversification strategies businesses can adopt related and unrelated, it is substantial to determine how both elements react in a crisis. Airlines usually choose to invest in related business such as cargo, aircraft maintenance, catering, travel & tourism and information technology (Jenkins et al., 2012; O'Connell, 2007; Suen, 2002). For instance, the diversification strategy of Emirate group depends on generating revenue from two business units (Emirate Airlines and Danata), this related diversification allow the company to generate economies of scope as both entities have a common finance, IT and human resources, this strategy allows them to operate in cost efficient manner (O'Connell & Warnock-Smith, 2017). From a different perspective, Cunningham and Wood (1983) advocate that airlines diversify their business into unrelated business such as hotel field, the airlines management can easily understand the hotels’ business, as well as both industries sell essentially perishable space. Hence, when the crisis occurs, it is easy for carriers to react positively when the leaders understand the field and acquire adequate knowledge to battle the pitfalls.

Kuppuswamy & Villalonga (2010) have studied the impact of the financial crisis on diversification, and in their report they have categories the diversification into related and unrelated, besides, they have examined how both react in a crisis. They theorize that when diversified firms increase their value more relative to single segment firms during the crisis, a greater effect of the crisis is expected on the value of unrelated than on the value of related diversified firms. Nevertheless, unrelated diversified companies rescue a better chance to finance their activities than related diversifiers, who are subjected to financial implication during the crisis (Berg et al., 2016). From a different perspective, reports on diversification have shown when related diversification is applied companies generate higher revenue than unrelated diversification (Christensen and Montgomery, 1981; Ramanujam and Varadarajan, 1989; Rumelt, 1982).

Effective crises management has taken the highest priority in organizational context as it involves substantial cost and negative emotional impact to the whole organization if they are
not solved promptly (Dutton, 1986). Hence, scholars have suggested several key strategies to sustain the firm’s position in the market, overcome the pitfall of the crisis and further enhance the firms’ performance. Change management is considered a successful method to deal with uncertainties. Dopson and Neumann (1998) have perceived change as a necessary evil for survival in the context of uncertainty. While Alas and Gao (2012) confirmed that change management can help to avoid crisis. To comprehend the academic meaning of change, Moran and Brightman (2001) define the change as the process of continually renewing an organization’s direction, structure and capabilities to serve the ever-changing needs of external and internal customers (Moran and Brightman, 2001). Studies have proven that businesses adapt to change easily are more likely to survive challenges emerged either from the internal or external environment (Joseph, 2013). There are multiple tools and technics developed by academics to assist organization to manage the change effectively, such as *Kurt Lewin’s Change Theory: Unfreeze – Change – Refreeze, Kotter’s 8-step change model* or Prosci methodology ADKAR: Awareness, Desire, Knowledge, Ability and Reinforcement (Paton & McCalman, 2008:p31; Prosci, 2016). Figure 5. shows the three change models in details.

![Three Change Models](image)

*Figure 5. Kurt Lewin’s Change Theory, Kotter’s 8-step change model and Prosci methodology ADKAR.*
The reactions and decisions are taken by senior management define how and when the organization will surpass the crisis. Moreover, organizational structure, strategy, culture, and individual managers’ orientation toward existing organizational contexts, the collective interpretation of the crisis determines the type of organizational response: active (domain defence, offence, creation, or abandonment; internal operative or administrative structures) or passive (anger, denial, alteration of importance, resignation) (Sarkar & Osiyevskyy, 2018). It is substantial for executives to involve mid-management in decision-making as change in difficult times can occur only if the power is distributed to small coalition that can create and implement fast and strong decision, bear the responsibility of their consequences (James et al., 2011). Authors agree that decentralized organizational structure promote organizational effectiveness, furthermore, freer flow of communication, increasing employee satisfaction and motivation (Floyd & Wooldridge, 1992; Rapert & Wren, 1998). Singh (1986) add that decentralized structure and decision making facilitate change. To conclude, organizations should develop their own strategies and methodologies to deal with crisis and business challenges. Firms can gain a competitive advantage in the market if they manage to execute diversification strategy effectively. It is also fundamental to develop or adapt an appropriate change management technic to adapt to the ever-changing business environment.
Chapter 3 Methodology

This particular chapter will discuss the methodology adopted to execute this research and the phases involved to investigate the research questions. It covers several principles and theories from recognized scholars to facilitate the evaluation of this case study in an effective manner.

3.1. Research Philosophy

The term research philosophy relates to the development of knowledge and the nature of that knowledge, and the research philosophy you adopt contains important assumptions about the way in which you view the world. These assumptions will underpin your research strategy and the methods you choose as part of that strategy (Saunders et al., 2012: p103; Bryman, 2012). Johnson and Clark (2006) advocate that as business and management researchers we need to be aware of the philosophical commitments we make through our choice of research strategy since this has a significant impact not only on what we do but we understand what it is we are investigating. In order to have clear understanding of the characteristics and stages involved in developing a research strategy, the author has included the research onion presented in Figure 6. Saunders et al. (2009: p108) has created the onion concept to provide an effective progression to design a research methodology an each layer of the onion explains the phases of the research progress,
As illustrated in the research onion the outer layer indicate the four philosophies: Positivism, Realism, Interpretivism and Pragmatism. Saunders et al. (2009: p113) claim that, if your research reflects the philosophy of positivism then you will probably adopt the philosophical stance of the natural scientist. They also argue that the essence of realism is that what the senses show us as reality is the truth. Tashakkori and Teddlie (1998) contend that pragmatism is intuitively appealing, largely because it avoids the researcher engaging in what they see as rather pointless debates about such concepts as truth and reality. Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors (Saunders et al., 2012: p116). To conclude, Johnson and Clark (2006) argue that the important issue is not so much whether our research should be philosophically informed, but it is how well we are able to reflect upon our philosophical choices and defend them in relation to the alternatives we could have adopted.
Third, Easterby-Smith et al. (2008) argue that knowledge of the different research traditions enables you to adapt your research design to cater for constraints.

3.2. Research Approach

Research approach is a general term used to describe two research approaches deductive or inductive. Saunders et al. (2009: p127) advocate that deductive approach research involves the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing. However, inductive approach involves the development of a theory as a result of the observation of empirical data. Collis and Hussey (2003) claim deductive approach is the dominant research approach in the natural sciences, where laws present the basis of explanation, allow the anticipation of phenomena, predict their occurrence and therefore permit them to be controlled.

To compare both approaches Saunders et al. (2009: p129) contend, with deduction a theory and hypothesis (or hypotheses) are developed and a research strategy designed to test the hypothesis. With induction, data are collected and a theory developed as a result of the data analysis. Table 2 shows the major differences between the deductive and inductive approaches to research. For the purpose of this study the author has selected to deploy the deductive approach to examine the theory of business diversification as a mitigation strategy diminish the impact of GCC crisis on Qatar Airways.
### Table 2 Major differences between deductive and inductive approaches to research (Saunders et al., 2009: p127)

<table>
<thead>
<tr>
<th>Deduction emphasises</th>
<th>Induction emphasises</th>
</tr>
</thead>
<tbody>
<tr>
<td>• scientific principles</td>
<td>• gaining an understanding of the meanings humans attach to events</td>
</tr>
<tr>
<td>• moving from theory to data</td>
<td>• a close understanding of the research context</td>
</tr>
<tr>
<td>• the need to explain causal relationships between variables</td>
<td>• the collection of qualitative data</td>
</tr>
<tr>
<td>• the collection of quantitative data</td>
<td>• a more flexible structure to permit changes of research emphasis as the research progresses</td>
</tr>
<tr>
<td>• the application of controls to ensure validity of data</td>
<td>• a realisation that the researcher is part of the research process</td>
</tr>
<tr>
<td>• the operationalisation of concepts to ensure clarity of definition</td>
<td>• less concern with the need to generalise</td>
</tr>
<tr>
<td>• a highly structured approach</td>
<td></td>
</tr>
<tr>
<td>• researcher independence of what is being researched</td>
<td></td>
</tr>
<tr>
<td>• the necessity to select samples of sufficient size in order to generalise conclusions</td>
<td></td>
</tr>
</tbody>
</table>

#### 3.3. Research Strategy

Saunders et al. (2009: p600) define a research strategy as a general plan of how the researcher will go about answering the research question(s). Jenny (2014) also added that a research strategy is a step-by-step plan of action that gives direction to your thoughts and efforts, enabling you to conduct research systematically and on schedule to produce quality results and detailed reporting. Saunders et al. (2009:p141) classify the research strategies into 7:

- experiment;
- survey;
- case study;
- action research;
- grounded theory;
- ethnography;
- archival research.

The choice of research strategy will be guided by your research question(s) and objectives, the extent of existing knowledge, the amount of time and other resources you have available, as well as your own philosophical underpinnings (Saunders et al., 2009:p141). Yin (2003) adds that each strategy can be used for exploratory, descriptive and explanatory research. As
the author of this research will be conducting an empirical investigation on a real-life situation using multiple categories of evidences, he has selected a case study strategy. Saunders et al. (2009:p146) confirmed that the case study strategy is most often used in explanatory and exploratory research. The data collection techniques employed may be varied and are likely to be used in combination. They may include, for example, interviews, observation, and documentary analysis.

3.4. Sampling

Sampling techniques provide a range of methods that enable you to reduce the amount of data you need to collect by considering only data from a sub-group rather than all possible cases or elements (Saunders et al, 2009:p210; Webster, 1985). Saunders et al. (2009:p213) claim that there are two sampling techniques available for researchers to use:

- Probability or representative sampling;
- Non-probability or judgmental sampling.

They further elaborate that Probability sampling (or representative sampling) is most commonly associated with survey-based research strategies where you need to make inferences from your sample about a population to answer your research question(s) or to meet your objectives. However, Nonprobability sampling (or non-random sampling) provides a range of alternative techniques to select samples based on your subjective judgment (Saunders et al., 2009:p233). This piece of work will mainly focus on collecting and evaluating secondary data and the information will be extracted from interviews of Qatar Airways’ GCEO published online by TV and online channels. Thus, the sampling technique adapted in this research is a non-probability method as there is only one person who can answer questions pertaining to the research topic. Furthermore, the author reviewed financial and performance report for the company 1 year prior and post the GCC crisis till date. The researcher assumes that historical data will not support the research, as the blockade happened recently we need to understand the organization situation close to the crisis.

3.5. Data Collection Method and Analysis

There are several methods to collect data designed by scholars to assist business leaders and researchers to examine and explore their research topic. Data collection methods are the
means by which researchers gather the data required for the research project (Quinlan, 2011:p109). Hawe et al. (1990) confirm that data are usually collected through qualitative and quantitative methods. In order to explore the difference between the two technics, Saunders et al. (2009:p251) explain that quantitative is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or use non-numerical data. The researcher can use each technic individually or as Curran and Blackburn (2001) indicated a single research study may use quantitative and qualitative techniques (multiple methods) and procedures in combination as well as use primary and secondary data. Table 3 reveals the data collection technics along with the advantage and disadvantage of each method.

Considering the nature of this project the author adopted multiple data collection technics that will include recorded interviews and document evaluation. Tashakkori and Teddlie (2003) argue that, multiple methods provide a significant opportunity of the researchers to answer their research questions as well as allow a better evaluation of the findings. This project purely depends on secondary data collection. Secondary data will probably provide the main source to answer your research question(s) and to address your objectives (Saunders et al., 2012: p257). Hence, the author has reviewed Qatar Airways’ CGEO interviews advertised by reputed business and news channels, the author has converted the audios into a script so he was able to document, organize and analyze the information extracted from those interviews. Armstrong and Taylor (2013:p124) confirmed that, getting the information directly from the concerned person is the major advantage of the interviews.

The raw data accolated through the previously mentioned technique and will be decoded and categorized into tables for easy processing and evaluation. The interview answers and documents content will be analysed qualitatively in order to elucidate and examine the research topic and to define the connection between the business diversification and crisis variables.
3.6 Validity and Reliability

Validity is concerned with the idea that the research design fully addresses the research questions and objectives you are trying to answer and achieve, and the findings reflect appropriately collected and correctly analysed data (White & Rayner, 2014). Whereas, Reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings (Saunders et al., 2012: p156)
In order to adhere to the validity and reliability standards, the author has collected data pertaining to the same research questions from multiple sources to compare and counter check. This technique has helped to increase the reliability and validity of the information produced to resolve the research problem. For instance, various interviews took place with QR’s GCEO some of them were live interview and some was transcribed and shared in a questionnaire format, In order to have reliable and valid information the researcher has compared answers to the same questions.

3.7. Access

There was no access limitations as this research was fully based on secondary that is available online and accessible to the public. The author has exhausted all possible sources to gather a valid and reliable data.

3.8. Ethics

Ethics refers to the appropriateness of your behaviour in relation to the rights of those who become the subject of your work, or are affected by it (Saunders et al., 2012: p184). Moreover, Cooper and Schindler (2008:p34) add that ethics also defined as the norm that guides moral choices pertaining our actions and interactions with others.

As far as this research is concerned the information collected was referenced in an ethical manner. There was no requirement to obtain a consent from any party involved in this particular project as all the data is available to the public online.
Chapter 4 Findings and analysis

This chapter is aimed to organize and analyse the collected data from the interviews and documents published online by Qatar Airways and news agencies. The questions and answers will be extracted from different sources in order to have a reliable information and counter check the data. The author has based his study on secondary data. Hence, he has selected three different interviews of Qatar Airways GCEO (Group Chief Executive Officer) Mr. Akbar Al-Baker with three news channels in order to answer the research questions and establish meaningful analysis. The author has also tried to establish a link between the findings and the literature review discussed in chapter 2 in order to fulfil the research objectives.

4.1. Interviews

Appendix (A) includes 3 interviews hosted by three different news and business-focused channels. The GCEO of Qatar Airways have answered some key questions related to the research topic.

4.2. The analysis of the impact of the crisis on Qatar Airways

After a critical analysis of the three interviews and literature reviews, it is obvious that the GCEO of Qatar Airways has confirmed in multiple occasions that there has been a negative impact post-crisis as the airline has lost some of its key destinations. Moreover, the national carrier of Qatar has been stopped from flying over the blockading countries airspace which has resulted to an increase of the flying hours, consequently, the operating cost has significantly augmented because the aircraft needs to burn more fuel unlike pre-blockade. Furthermore, the company was forced to upgrade aircraft to wide body in order to fly to certain destination that initially planned to operate narrow body airplanes due to the increase in the flying hours. Hence, this facts has disturbed corporate planning as well as aircraft rotation.

As per the GCEO statement, the airlines belong to the blockading countries have equally been affected, additionally, he claimed that the air connectivity in the region has lost its confidence. This fact has also been confirmed by the CAPA the center of aviation, the ban
affects the reputation of Gulf aviation in general (khaleejtimes, 2017). Hence, the GCC hubs may lose their capacity to other hubs close to the region such as Singapore, Turkey or India. Due to the sudden change that has happened to the operating environment of Qatar Airways, the employees developed a sense of uncertainty and doubt. However, the GCEO has reacted promptly to the change and sent a memo confirming the commitment of airline toward it employees to boost their level of confidence. This smart move has helped the workforce to adapt to the change and ensure business continuity. Studies have proved that businesses adapt to change easily are more likely to survive challenges emerged either from the internal or external environment (Joseph, 2013). Gulf times (2017) advocated that the resilience exercised by Qatar Airways during the crisis is significant. Despite the shocking move taken by the blockading countries to isolate Qatar from the rest of the world, the company has reacted promptly by finding alternative options to keep the country supplied and sustain normal operations. The same source has further explained that leaders were calm, they establish clear and consistent communication and they committed to turning the crisis into opportunity.

Crisis management requires more time and resources than initially perceived, and the reaction of the organization towards the crisis determines the route of recovery and organizational future performance (Bowers et al., 2017). Qatar Airways has crafted short-term strategies to manage the crisis. However, there are various implications that the carrier should overcome such as financial and operational challenges. The company continues to use only one corridor to reach the world, hence, its operational cost increases while the aircrafts require more maintenance due the extra flying hours add to the regular flying time. Hence, the company is trying to diversify its business to sustain its position in the market and recover the loss. It is globally trusted that diversified companies have a strong foundation to survive during business pitfalls (Beckmann et al., 2012)

4.3. The diversification strategies analysis

In the interviews, Qatar Airways GCEO was very optimistic pertaining to the airlines’ future post-crisis. He advocated that the carrier is financially strong and will preserve, he further elaborated that the company will adopt various strategies to defeat the blockade and continue the growth plans. The airline is developing a mitigation strategies to compensate the market
and revenue loss, as per the airline’s head the company will continue diversifying its business and do new investments. In order to establish a comprehensive sense of Qatar Airways’ main revenue streams, the author has included the below activities involved in generating revenue from Qatar Airways financial report (Qatar Airways, 2017):

- Commercial air-transportation, which includes passenger, cargo, aircraft charters and related services;
- Aircraft handling, in-flight catering and related services to airlines using Hamad International Airport;
- Trading in duty free goods at Hamad International Airport and exchanging goods for redemption of Qmiles;
- Operation of restaurants at Hamad International Airport;
- Provision of facilities management services at Hamad International Airport;
- Distribution of distilled beverages in the State of Qatar; and
- Hotel operations inside and outside the State of Qatar.

Management of Hamad International Airport

Form an academic perspective, Berg et al. (2016), Kemper and Simkins (2012) confirmed that diversified organizations deploy their financial advantage and the market trust to tackle crisis challenges and consider crisis as an investment opportunity to expend their business. Moreover, Beckmann et al. (2012) testified that diversified companies perform better during the crisis rather than focused organizations. Qatar Airways is trying to take an advantage of the crisis and expend its network operations and seeks different investment opportunities. Furthermore, the airline deploys a parenting strategy to manage its diversified portfolio, it uses its reputation in the market and its unified business practices to create a value to other businesses and place them in a competitive position. The advantage of corporate parenting is to improve and standardize internal process to optimize operations performance, this approach helps business units to benefit from economy of scope due to the collaborative operations within an integrated value chain (Salter and Weinhold, 1979; Rappaport, 1990; Goold, 1996; Palich et al., 2000; Barker et al., 2001; Kruehler et al., 2012). So far Qatar Airways has proven the significance of the parenting strategy, the financial year 2016/2017
was beneficial for the airline as most of its diversified subsidiaries have performed well and generated profit increase of 22% (Financial-times, 2017).

The airline invests in both related and unrelated business. However, QR’s focus is placed more in related investment as illustrated in Table 4. Out of 11 investments, 82% of the businesses seems to be related and 18% are unrelated. The major unrelated investment of QR is linked to the hotel industry. Cunningham and Wood (1983) clarified the reason why airlines prefer to invest in hotels, they argued that the airlines’ management can easily understand the hotels’ business as well as both industries sell essentially perishable space. Hence, when the crisis occurrences it is easy for carriers to react positively when the leaders understand the field and acquire adequate knowledge to battle pitfalls.

Reports on diversification have shown when related diversification is applied companies generate higher revenue than unrelated diversification (Christensen and Montgomery, 1981; Ramanujam and Varadarajan, 1989; Rumelt, 1982). The related business diversification strategy allows Qatar Airways to benefit from the economies of scope as the group shares the same HR, information technology, finance and product development departments, and this approach permits the airline to operate in cost efficient manner (O’Connell & Warnock-Smith, 2017).

Table 4.: Qatar Airways investment and reaction after the blockade

<table>
<thead>
<tr>
<th>Business activity</th>
<th>Type of diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ With more than 30 of its daily flights cancelled due to a blockade from its neighbours, Qatar Airways has come up with a creative solution for its spare capacity problem. The airline has apparently agreed to lease nine of its Airbus A320 aircraft to British Airways to fly on short-haul routes over the summer (Scott, 2017)</td>
<td>Related diversification</td>
</tr>
<tr>
<td>➢ Qatar Airways declared on Thursday it had acquired a 49 percent stake in AQA Holding, the new parent company of Italy’s Meridian, adding to its growing portfolio of investments in foreign airlines. (reuters, 2018)</td>
<td>Related diversification</td>
</tr>
</tbody>
</table>
Qatar Airways announces its acquisition of 9.61% of Cathay Pacific, this investment further supports Qatar Airways investment strategy which already includes 20% investment in International Airlines Group, 10% investment in LATAM Airlines Group and 49% investment in Meridiana. (Qatarairways, 2018)

Qatar Airways and JetSuite, a U.S. private aviation company, have announced that Qatar Airways has taken a minority stake in JetSuite, and indirectly in JetSuiteX. Qatar Airways joins JetBlue Airways, which will be increasing its investment, and a number of private investors as stakeholders in both JetSuite and JetSuiteX (arabianaerospace, 2018)

Qatar Airways has plans to launch an airline in India with at least 100 planes, the airline's chief executive Akbar Al Baker said today. (Economictimes, 2018)

Qatar Airways has entered into a memorandum of understanding (MoU) with Moscow's Vnukovo International Airport, Russia’s third-largest hub, to acquire up to 25% of the airport’s total shares. (aircargonews, 2018)

Qatar Airways owns Oryx Holdings, Inc., incorporated in Wilmington, Delaware, USA, this entity is principally engaged in holding real estate properties. (Qatarairways, 2017)

Accelerate expansion plans with 26 new destinations (QatarAirways, 2017)

QR took a delivery of A350-1000 the most advanced aircraft in the world feathering the revolutionary Qsuite
that offer the passengers the outstanding levels of comfort
and style (Qatar Airways, 2018)

<table>
<thead>
<tr>
<th>Unrelated diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar Airways owns Oryx Holdings, Inc., incorporated in Wilmington, Delaware, USA, this entity is principally engaged in holding real estate properties. (Qatarairways, 2017)</td>
</tr>
<tr>
<td>Plans to have at least 50 hotels in our portfolio (interview, 2017)</td>
</tr>
</tbody>
</table>

4.4. Analysis summary

According to the interviews and secondary data presented from various sources, it is clear that Qatar Airways diverse business portfolio has helped the organization to sustain the blockade and move forward with its strategic objectives. It is globally trusted that diversified companies have a strong foundation to survive during business pitfalls (Beckmann et al., 2012). The blockade has posed a restriction on Qatar Airways not to fly to a certain destination and not flying over the blockading countries, this act has resulted to a significant loss to the airline. However, other Qatar Airways’ entities were not affected by the blockade as most of them are placed in various geographical areas around the world.

Qatar Airways showed resilience while was dealing with the crisis, the airline announced multiple expansion plans to increase its traffic load, the GCEO confirmed that the company will be receiving 30 aircrafts this financial year to support the airline’s rapid growth (gulf-times, 2018). Moreover, QR has expressed its intention to invest in various industries to maintain its diversified portfolio and mitigate the loss occurred to the company post-crisis. Hence, it is proved through the GCEO’s interview and literature review that business diversification has helped the company to minimize the impact of the blockade.

The interviews discussed in this chapter did not provide any statistical information. Hence, the data was analysed in a qualitative manner, the author tried to bridge the gap by complementing the interviews with literature review in order to establish an argument that could lead to critical evaluation of the research topic and draw a holistic conclusion and recommendations.
Chapter 5: Conclusion and recommendations

5.1. Introduction

This chapter is aiming at drawing a significant conclusion and propose effective recommendations inspired by the critical analysis of the findings and in-depth review of the literature review. Furthermore, in order to reveal and address the core issues of this study the author has taken careful attempt to answer the research question and fulfil the research objectives.

5.2. Methodology evaluation

For the purpose of this research, the author has selected multiple techniques to collect data, the first method involved accruing information from the recorded interviews of QR’s GCEO, while the second source of information was reports published by QR and various news and business agencies. Due to the nature of the study, the author has decided to depend solely on secondary data collection as most of the questions in this research aimed to clarify was covered by the secondary data. Saunders et al. (2012: p257) confirmed that, secondary data will probably provide the main source to answer your research question(s) and to address your objectives.

The data collected from the interviews and the various academic and non-academic sources was analysed in a qualitative manner. Due to the nature of the information extracted from previously indicated methods there was only one option to evaluate and analyse the data which is qualitative method.

5.3. Conclusion

The main aim of this project is to analyse the feasibility of business diversification as a mitigation strategy to compensate impact of GCC crisis within aviation industry. Through this study, the author tried to reveal the key challenges faced by an airline during a crisis, and explore possible options to sustain its position in the market. The focus was placed on
business diversification strategy as a mitigation strategy to compensate the impact of the GCC crisis on the aviation industry.

To give a summarized background of the GCC crisis, on Monday 5th, June 2017, four Arabic countries decided to cut ties with Qatar, UAE, Saudi Arabia, Egypt and Bahrain have announced a shocking new to the state of Qatar, they claim that Doha’s regional policies were fuelling extremism and terrorism (Stephens, 2017). Hence, most of the businesses in Qatar has negatively been affected. However, for the purpose of this project, the author has critically evaluated the impact of the GCC crisis on aviation industry in the Gulf region.

Qatar Airways was selected in this case study as the airline was the most influenced by the blockade compared to the airlines belongs the blockading countries, the national carrier of Qatar has lost 18 destinations from one of the most profitable market with an average of 50 flights a day (Rob Watts, 2017). In addition to that, the ban has redistricted the airline from using the airspace of the accusing countries which has resulted to a substantial increase of the operational cost.

The outcome of this research was specified in meeting the research objectives. Thus, the conclusion will cover each objective individually.

Objective 1: Critically analyse the current situation of GCC and how it has impacted aviation industry.

It is clear that the whole world is well aware of the present situation in the GCC, since Saudi Arabia, Egypt, Bahrain and UAE cut ties with Qatar, this event has become a hot topic in media. This political tension between Qatar and its neighbours is the highlight of the international community as it was unpredictable. The blockading counties accuse Qatar for support terrorism and urge extremism (Hatoum, 2017; BBC, 2017; Brinded, 2017). The four countries decided to cut air, sea and land transport links as punishment measures towards Qatar. However, this diplomatic rift may cost the five counties billions of dollars by slowing trade and investment and making it more expensive for the region to borrow money as it grapples with low oil prices (Andrew Torchia, 2017). According to several reports, Qatar shares huge investments and trades with most of the blockading countries, and this diplomatic
rift has resulted to immediate disruption of the businesses. Nevertheless, Qatar has suffered in the initial phase of the crisis as most of the international corporation based in Qatar are facing difficulties to manage the situation as their business are linked majorly with the blockading countries. Thus, they have threatened to change their business strategy and look for investments opportunities elsewhere if there is no improvement. (express, 2017).

The aviation industry in the GCC region has negatively been affected from the blockade, CAPA (2017) claimed that the ban has affected the reputation of Gulf aviation in general. The GCEO of Qatar Airways has confirmed that the airlines owned by the blockading countries have equally been affected, he also advocated that the air connectivity in the region has lost its confident (Bloomburg, 2017). However, Qatar Airways has lost a major market with 50 flight a day to 18 destinations CAPA Centre for Aviation (2017) confirmed that ban on flights has a greater impact on Qatar Airways, which operates more flights on affected routes compared to all other airlines combined. Another action that the four countries has taken against Qatar is confining the national carrier from cruising over their territories or use their airspace, this fact has forced the airline to deviate its operations through Turkey and Iran which resulted in a significant increase of the flying hours, particularly to Africa and South America (Johnson & Huxham, 2017; Atkinson, 2017). Therefore, the operating cost has drastically increased and increase the airline expenses as the aircraft requires extra maintenance when they fly longer. On the other hand, it is not just Qatar Airways that has been impacted by the ban. If a passenger is due to fly in or out of Qatar from UAE, Saudi Arabia, Egypt or Bahrain then he will not be able to travel if he is flying with Etihad, Emirates, Flydubai, Air Arabia, Gulf Air, Saudi Arabian Airlines (Saudia) or Egyptair (BBC, 2017).

All the previously discussed facts have proven that the airline industry has suffered post-crisis and the airline has lost some of its key market, through the weight of the impact is greater on Qatar Airways the air connectivity via GCC Hubs has lost it confidence and trust.

**Objective 2**: Evaluate how business diversification can be used as mitigation strategy to support airlines in the region to overcome the crisis.
The findings and the literature review has proven that Qatar Airways acquire a diversified business portfolio, this fact has helped the organization to cope with the crisis and further seeks investment opportunity. The GCEO of QR has expressed his satisfaction with the measures that have been taken by the company to defeat the crisis. He was very optimistic vis-à-vis the airline’s future, he claimed that the company will continue diversifying its business and do new investments.

The airline has established a strong financial foundation and created multiple revenue streams, as per the QR’s financial report of the fiscal year of 2016/2017 the company has made a net profit of 1.97 billion Qatari riyals ($541 million) generated from air travel, real estate, equities in other airline, retail, hotel operations and outlets. This is strong evidence that the airline benefit from its business diversification strategies. The airline incorporated a parenting strategy to manage its diversified outlook, QR deploys its reputation in the market as well as the unified business process to create a value to other business under its umbrella and place them in a competitive advantage. The parenting strategy is recognized among giant organizations, the advantage of corporate parenting is to improve and standardize internal process to optimize operations performance, this approach helps business units to benefit from economy of scope due to the collaborative operations within an integrated value chain (Salter and Weinhold, 1979; Rappaport, 1990; Goold, 1996; Palich et al., 2000; Barker et al., 2001; Kruehler et al., 2012)

Most of Qatar Airways diversified business are related to its corporate environment such as opening new destination, purchasing shares on other airlines, etc. GCEO of QR confirmed that the carrier is financially strong and will preserve, he further elaborated that the company will adopt various strategies to defeat the blockade and continue the growth plans. Studies on diversification have shown when related diversification is applied companies generate higher revenue than unrelated diversification (Christensen and Montgomery, 1981; Ramanujam and Varadarajan, 1989; Rumelt, 1982). The related diversification strategy entitles QR to benefit from the economies of scope as the group shares the same HR, information technology, finance and product development departments, and this approach permits the airline to operate in cost-efficient manner (O’Connell & Warnock-Smith, 2017).
The financial report of 2017/2018 is not released yet to provide a concert and factual data on the impact of the crisis on Qatar Airways, even the GCEO of Qatar Airways did not disclose any information related to the financial performance of the airline after the crisis. Due to the time constraint, the author could not wait till the financial report is published by the airline.

**Objective 3: Review the best strategies that organizations can adopt to sustain competitive pressure in crisis**

This case study has illustrated how Qatar Airways dealt with the crisis, the company adopted various diversification strategies even before the crisis and this fact has been proven in the financial report of 2016/2017 shared in chapter 4. Moreover, the airline takes an advantage from the parenting strategy to benefit from the economy of scope. There is a great focus from the airline on exploring new business opportunities. QR follows both related and non-related diversification strategies, for instance, the company invest in equities on other airlines and at the same time the company purchase hotels, retail companies and real estate. After analysing QR’s module it is clear that QR adapt Ansoff matrix, which is designed to assist businesses to analyse and plan strategies for growth, this tool enable firms to explore opportunities and define implications of expending the business through existing or new product in existing or new markets (Ansoff, 1957).
In order to analyse the relation between QR strategies and Ansoff Matrix the author has developed the below table.

<table>
<thead>
<tr>
<th>Product development:</th>
<th>Diversification:</th>
</tr>
</thead>
<tbody>
<tr>
<td>QR has introduced various products to enhance customer experience such as Qsuit the concept of having a cubicle in business class cabin. Opening new lounges outside its hub such as London Heathrow, Paris and Bangkok (Qatar Airways, 2017).</td>
<td>The airline has developed a diversified portfolio as it has invested in the hotel industry, real estate, equities on other airlines, airport, retail industry and food &amp; beverage business (reuters, 2015)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market Penetration:</th>
<th>Market development:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The airline constantly increases frequencies to key destinations where there is high demand. Moreover, the company upgrade aircraft from narrow body to wide body to carry maximum numbers of customers(Qatar Airways, 2017)</td>
<td>QR inaugurate an average of 12 destinations every year. However, because of the crisis the company announced an aggressive expansion plan where more than 20 destinations will be launched (Qatar Airways, 2017)</td>
</tr>
</tbody>
</table>

Due the nature of Qatar Airways business module the airline managed to minimize the impact of the crisis. Qatar Airways was restricted from flying from to 18 destinations which resulted to drop of revenue. Nevertheless, the airline depends on its diversified businesses to generate a profit so it will able to compensate the loss.

5.4. Recommendations

Based on the findings and literature review discussed in this project, there is clear indication that organization with diversified portfolio survives the crisis compared to stand alone organizations. It is globally trusted that diversified companies have a strong foundation to survive during business pitfalls (Beckmann et al., 2012). However, there is still an argument among scholars pertaining to the dependency of business diversification strategies to support organizations during a crisis. For instance, Haldar (2016) argued that throughout a crisis
diversified firms are more armed to perform as well as survive due to their diversified nature. Conversely, it is not guaranteed that diversification will protect companies during a market crisis (Anil and Yiğit, 2011; Koesterich, 2015).

It is crucial for airlines to conduct an extensive research before taking a decision on diversification. QR was a success story in terms of the reaction to the crisis using its diversification strategy. The airline continues its march ahead and further embed diversification strategies, recently QR has announced plans to open a new airline as part of its diversification strategy, and has placed and order of 50 A321 aircraft to support its expansion strategy (Qatar Airways, 2018).

There are well-known strategies that could place airlines in a competitive position in the aviation market. For instance, Porter (1985) introduced 3 generic strategies that are cost leadership, differentiation and focus strategy, he also claimed that these strategies could assist organisations to gain a competitive advantage in the market.

QR is following Ansoff matrix to position itself in a competitive position in the market and extend its search in term of business performance. However, The Ansoff strategies remain only a theoretical model and do not take into account the activities of external competitors (Munro, 2014). For that reasons the airlines should take into consideration the analysis of their macro environment before implementing strategies.

5.5. Limitations

In the interviews, the GCEO of Qatar Airways was asked some key questions that would have given the author great chance to better analyse the impact of the crisis on the airline, and define the financial performance of the carrier through the crisis period, he confirmed that he knows the figure but he will not share it till the 2016/2017 report is disclosed.

The author was unable to qualify the data extracted from the interviews and the report due to the lack of numbers and precise information, the author was force to depend solely on qualitative analysis to investigate the findings and establish themes. From a different angle, what made this research challenging is the lack of the academic coverage that investigates the correlation between crisis and business diversification strategies. The researcher attempted to investigate the dependency of organisation in a critical situation such as QR on
business diversification strategies and how organisations can use those strategies to lessen the impact of the crisis.

This topic need to be research further by reviewing the financial report of Qatar Airways for year of 2017/2018 in order to establish a recital analysis based on factual data. Unfortunately, due to the time constraint the student was unable to wait till the financial report is produced.
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A recent study by Wibaut and Wilford (2009) show how correlations changed (heavily reducing the benefits of diversification) during the subprime crisis.


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Appendix A: Interviews with Qatar Airways GCEO

This interview was held by Al Jazeera news straight after the GCC crisis, Qatar Airways GCEO has answered some key questions related to the blockade (Aljazeera, 2017).

Al Jazeera: Congratulations on your financial results, but it must be something of a bittersweet taste with all that's been going on this past week, not just here in Qatar, but for the whole region, the effects. What do you think the level of seriousness is in this whole crisis?

GCEO: On a positive note, let me just say, that I am delighted to announce that Qatar Airways profit of $541m. It is a record profit in the history of our airline, and at the same time, we have also had a robust passenger number growth - 20.1 percent increase year on year which, again, is one of the strongest growth figures in our industry.

So we are very resilient as an airline. However, I do agree that there are some dark clouds, and I should not be hiding my concern that we will underperform. But not to the extent of our neighbours, because Qatar Airways has a very strong growth plan. You know that, not too long ago, I announced that I was going to increase to 24 new destinations.

I couldn't do it because I had capacity restraints. Now that we have a release, capacity from the 18 destinations, that we have been barred illegally from operating, we are now going to accelerate the other regions of the world, where we feel that we will mitigate the reduction in passenger numbers from this 18 destinations. So Qatar Airways has a robust plan B, to continue our march ahead.

Al Jazeera: That's what I want to pick up on. We've heard of air walls. This transcends everything. Do you feel that in effect you're under attack, that Qatar is under attack?

GCEO: you know, Qatar is very resilient, and Qatar also has friends. And we have managed to make sure that life will continue as normal. For an airline, for us, the biggest priority is for us to have a gateway in and out of my country, which we are very
successfully handling, and at the same time, it is our passengers for which it is our responsibility.

First, to re-route them, second to give them a full refund if they chose to do so, and thirdly, if they choose to travel on Qatar Airways, that we give them the highest amount of care, that we give to our passengers. Qatar Airways is very strong, financially, we will persevere. And at the same time, we will make sure that every single passenger is guaranteed, that if it chooses after booking on Qatar Airways not to travel on Qatar Airways, we will give them their refund. So they don't have any risk of losing the money that they have invested in Qatar Airways.

But let me tell you that as we are being affected, so are our neighbours who have gotten into this illegal act of blocking us. Their national carriers are also getting affected. What is also doing is letting the entire region's air connectivity confidence to be lost. So, they are in the same basket. So, they should not think that they'll be going laughing to the bank, while they are putting economic pain on my country.

*Al Jazeera: What feedback are you getting from your staff about all this?*

*GCEO: On the third day of the conflict, I sent a personal note to every single individual in the organisation that I handle, to give them commitment, and to give them confidence. And this was taken very positively by my staff.

*Al Jazeera: Do you think that they've handled it well? I mean they must have been a lot of stress on everyone, with so many people in a very confused state, and some of them are very angry.*

*GCEO: Yes there will be uncertainty; there will be confusion. There will be some doubts in the people. But you know, as the head of this airline, it is my duty to get them confidence in the company that they're working for.*
Al Jazeera: I came across a market share pie of the [aviation] market in the region, and you're up to 69 percent of it, obviously dominating the market. So there's a lot at stake, isn't it?

GCEO: Yes, it is a lot at stake when from this market size you're removing 18 destinations that we have been blocked from flying to. So there will be an impact, but that impact will be mitigated when they go to new destinations as part of the growth strategy of Qatar Airways.

Al Jazeera: What measures are you taking?

GCEO: I don't want to tell you what measures we are taking, but we are taking very aggressive measures.

Al Jazeera: It must be a rather surreal feeling, celebrating your very good financial results at this time, with a siege going on around your country.

GCEO: We will celebrate again a good profit next year by the will of God. We will grow into new markets. When we withdrew from one destination for example, we didn't close the airline down. We looked at five new destinations, and this is exactly what we're doing.

1.1. Interview 2

In an interview with peninsula news the GCEO of Qatar Airways has expressed his opinion pertaining to the blockade and the steps taken to mitigate the impact of the crisis. (peninsula, 2018)

Peninsula: Let's turn to the blockade. When you spoke with Bloomberg in November, you said you are making adjustments. At the time, the estimate was 11% of the network would be affected and to 12% of the revenue, how are you adjusting to that now and how successful are you in making up for that?

GCEO: Let me correct it, we've only lost the routes in the blockaded countries, but we have replaced them with new routes and we have expanded our network usually and we are continuing to do so. We are continuing to grow, so the main purpose of the blockades have failed. Yes it has increased operating costs, and has also put a financial strain on the airline
into this is why I mentioned to you last November that our bottom-line will be affected and Qatar Airlines will post its first loss from the last seven years.

**Peninsula: What about the next fiscal year, what are you looking forward to? Will you return to profitability then?**

**GCEO:** We hope so, we are doing new investments, making sure that we mitigate the network that we lost and the revenue that we lost in those, in that network. So I hope that the next financial year we start from April this year will bring again, hopefully, positive results.

**Interviewer: Whether it is IAG or other airlines coming try to find interest in American and it did not work out, but are you looking other investments with airlines?**

We are constantly looking at other investments, but we do not always put our chips on the table, so you have to wait to hear when we announce our new investments.

He also stated in another interview conducted by Peninsula that “It is our plan to have at least 50 hotels in our portfolio. We have completed 10 percent of that and hopefully in the next five years we will complete 50 hotels around our network which we intend to buy. It is to ensure to have additional stream of revenue for the airline because we need to get into other businesses to support the growth of Qatar Airways”

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1.2. Interview 3

CNBN has interviewed the GCEO of Qatar Airways, in response to question pertaining to the measure that the company took to compensate the loss emerged from the crisis he said:

"We are focusing everywhere in the world, we've been increasing frequencies into Eastern Europe, Southeast Asia, increasing our network into the sub-continent, so we are going all over the place. We are very determined to make sure that this illegal blockade is defeated in a very, very strong way."

In addition to this we are expanding, we're keeping on stretching our global network, we are increasing frequencies and we are doing other investments that will give us positive returns on our balance sheet," (cnbc, 2018)