Innovations

Evaluating the Sales Growth of Ethiopian Airlines

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Abstract
This article explores the financial management of Ethiopian Airlines in relation to its expansion efforts. The study highlights the crucial challenge of achieving sustainable growth in public organizations. A case study approach is employed, analyzing Ethiopian Airlines' income statement and balance sheet from 2008 to 2022. The financial statements are used to calculate the company's actual and long-term growth rates over the specified period using the sustainable growth model. The findings reveal that the company's actual growth fell short of the expected sustainable growth rate between 2008and 2019. However, progress has been made in growth management following the implementation of the Public Enterprise (Reform) Proclamation No.25/1992. The researcher recommends that government policy decisions consider allowing the firm to adjust its dividend payout ratio to meet funding requirements. Additionally, improving asset turnover and profitability is proposed to address potential growth concerns. Suggestions include increasing the payload factor and reducing costs. The study identifies the company as a cash absorber, requiring adequate capital to support operations during the initial eight years of the study. The management appears to be addressing this financial management challenge by increasing leverage and deferring dividend payments. However, the airline's growth rate in the last seven years (2016-2022) has been disappointingly slow compared to the initial eight years. Ethiopian Airlines has maintained a modest growth rate from 2016 to 2022, paying minimal dividends to the government. Furthermore, the company has made significant investments in three African airlines, contrary to academic recommendations.
Key Words: *Sustainable growth model, Actual growth, Long-term growth, Dividend payout ratio, Asset turnover, Profitability, Leverage, Dividend payments*

Introduction

The growing relevance of obtaining market share goals as a fundamental component of a company's corporate strategy can be traced in part to a growing body of research linked to two modern approaches to strategic market planning.Several PIMS (Profit Impact of Market Strategy) studies have empirically demonstrated that market share is the most important factor in profitability (Schoeffler, Buzzell and Heany, 1974;Buzzell, Gale and Sultan, 1975). The conceptual and empirical work of the Boston Consulting Group (BCG) on "experience effects" and the resulting relationship of market growth and market share to profitability adds credibility. Market clashes cause upheaval and fewer competitors. As a result of the process, survivors see a net gain in share value and a drain on their cash reserves.Besides, it has been pointed out that for a company that wants to maintain a target payout ratio and capital structure without issuing new equity while also increasing sales at a rapid rate, the company's growth rate is not an independent variable, rather than one of several variables in an integrative framework (Reilly & Brown,2011; Babcock, 1970; Robinson, 1979).

'Portfolio strategies are typically expressed in terms of market share goals to be achieved in each of the strategic business units that comprise a company's portfolio of businesses. The growing importance placed on gaining market share targets as a key component of a company's corporate strategy can be attributed in part to a growing body of literature relating to two contemporary approaches to strategic market planning. A number of Profit Impact of Market Strategy studies have empirically demonstrated that market share is a major determinant of profitability (Schoeffler,Buzzell and Heany, 1974;Buzzell, Gale and Sultan, 1975). Furthermore, the Boston Consulting Group's (BCG) conceptual and empirical works on 'experience effects' and the resulting relationship of market growth and market share to profitability lend credence to the proposed relationship between market share and profitability (Stern & Deimler, 2006; Boston Consulting Group, 1972)'.

Aside from the steady-state market share-profit relationship, another area of concern is the short-term and long-term cash flow and profit implications of share building, maintenance, and harvesting strategies. Gale and Branch have addressed these for high, moderate, and low growth markets (1981). Based on an empirical analysis of PIMS data, the authors report that, while a high relative market share generates cash, building share drains cash, and maintaining market share may require significant cash for working capital and plant and equipment when real market growth is rapid.

Market clashes result in shakeouts and fewer competitors. Survivors realize a net gain in share and a drain on their cash reserves as a result of the process. Furthermore, from the standpoint of financial feasibility of share building objectives, it has been pointed out that for a firm that wants to maintain a target payout ratio and capital structure while also increasing sales at a rapid rate, the firm's growth rate is not an independent variable, but rather one of several variables in an interdependent system (Babcock, 1970; Robinson, 1979). This paper focuses on the financial feasibility and long-term viability of share building strategies under real market growth conditions.

Ethiopian Airlines competes with Europe's, America's, and Asia's largest international airlines. Ethiopian Airlines, with a fleet of 128 aircraft, is the only African airline in the top 50 largest airlines in the world. Ethiopian Airlines has outperformed other African airlines that operate in more favorable settings, such as South African Airways, Egypt Airline, Kenya Airline, and Nigerian Airlines (Al-Kwifi, 2020). In order to compete effectively, the airline is under pressure to adopt nuanced business strategy. The financial dimension is one of the areas where the enterprise could fine-tune its decisions, and this research considers a portion of it. While many largest airlines demanded financial rescue and got governmental funding (Teker et al, 2016), Ethiopian Airlines endured the financial difficulty the biggest airlines failed to. This commendable performance of Ethiopian is demonstrated for example by its ROA for the last fifteen years. Ethiopian Airlines designed a strategic plan called 'Vision 2025' by outlining a strategic roadmap eying a fast, profitable and sustainable growth for the firm. However, the question is whether Ethiopian sustainably managed this growth. This research focuses on the financial viability of the airlines company.

The study examines Ethiopian Airlines' growth management practices, with a focus on financial decisions. The researcher addressed and sought answers to the following question while conducting the study: Is Ethiopian Airlines' financial dimension of growth properly managed?

The study is designed in such a way that the researcher can compare the actual growth rate with the sustainable growth rates to see if there is a significant difference between the two rates for the period under study and compare the differences between the two rates to see the practice of managing growth.

Literature Review

Growth management requires a careful balance between the firm's sales targets and operational efficiency and financial resources. When businesses overextend themselves financially in the name of expansion, they risk bankruptcy. This is

because it is difficult to calculate a sales growth rate consistent with the company's and financial market's reality, as well as management's inability to make critical decisions consistent with the firm's degree of growth. In this aspect, the sustainable growth model is an extremely useful planning tool that the majority of successful organizations have enthusiastically embraced (Van Horne, 1998).

According to Higgins (2012;1977), growth and its management present distinct financial planning issues for firms, since many executives perceive expansion as a goal to be accomplished. They simply reason that when a company's market share and profit increase, its market share and profit should increase as well. On the other hand, businesses that grow too slowly confront a distinct, but no less critical set of financial issues. Businesses who do not grasp the financial implications of both rapid and moderate expansion risk bankruptcy. Growth is not always a good thing financially, as it can place a strain on a business's resources. Rapid expansion can result in is aware of the consequences and takes proactive measures to contain it (Higgins, 2012).

Article 14 of the Public Companies Proclamation No. 25/1992 (4), (5), (6), and (9) empowers the board of directors of public enterprises, such as Ethiopian Airlines, to conduct business and make financial decisions, including Ethiopian plan financial decisions, as deemed suitable. One of these issues is the acquisition and usage of financial resources to carry out their tasks. Sustainable growth modeling enables the adjustment of a company's financial state in the desired direction.

Investors view the issuance of new equity securities as bad news, and when a new security offering is announced, prices fall; hence, corporations typically make an effort on behalf of their owners to avoid additional financing information asymmetries. Additionally, the choice may be unavailable or severely constrained for certain organizations, such as public enterprises. As a result of these variables, the cost of issuing equity securities is higher than the cost of keeping earnings equity.

The rate at which a business's revenue can expand without depleting its financial resources is referred to as the sustainable growth rate. It is the pace of expansion at which a business can grow without altering its financial structure or operating performance.

The Sustainable Growth Equation

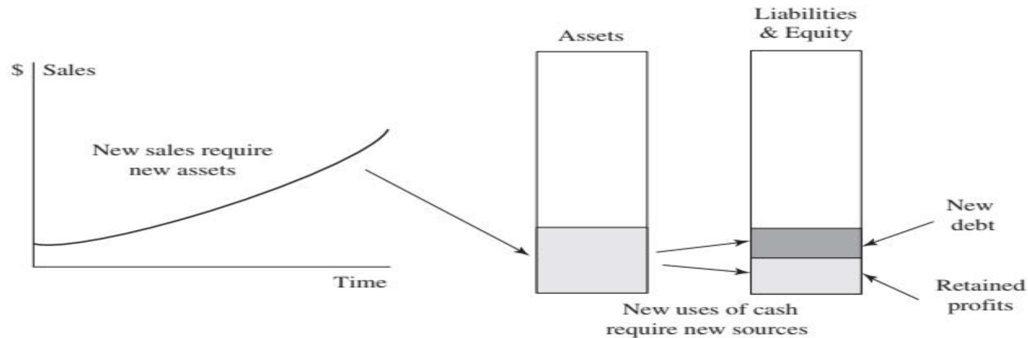


Figure 1 New sales and finance (Taken from Higgins, 2012)

Let us begin with a straightforward equation expressing growth's dependence on financial resources. For the time being, let us assume that

- The company has a target capital structure and a target financing structure.
- It wants to keep its dividend policy.
- The company's management is unable or unwilling to issue fresh stock.

We will discuss these assumptions in further detail in the near future. For the time being, it is necessary to acknowledge that, while the assumptions do not apply to all firms, they do describe a sizable proportion of them. The situation of the quickly expanding corporation is depicted in Figure 1. It depicts the company's balance sheet as two rectangles, one for assets and one for liabilities and equity. The two lengthy rectangles that are not coloured represent the balance sheet at the start of the year. Due to the requirement that assets equal liabilities + owners' equity, all rectangles are the same height. If the business desires to increase sales this year, it must increase its inventory, accounts receivable, and production capacity. The darker region on the assets side of the figure represents the cost of new assets necessary to support the increased sales. Due to the fact that the company will not be issuing new shares, the money required to cover asset expansion will have to come from retained earnings and new debt.

We're curious as to what issues prevent the company depicted in Figure 1 from growing revenue at a higher rate. Assuming this is the case, what constrains the rate at which all components of a firm expand in strict proportion to one another, like a

balloon does? To begin, look at the owners' equity in the chart's lower-right corner. Without modifying its capital structure, the firm can borrow more money as its equity rises; the rate at which liabilities and equity grow together determines the rate at which assets grow. As a result, the rate of expansion of sales is limited. Thus, as the dust settles, it is the rate at which owners' equity grows that limits sales growth. As a result, the sustainable growth rate of a business is just its equity growth rate.

Let *g** represent the sustainable growth rate,

$$g *= \frac{Change\ in\ Equity}{Equity_{bop}}$$

Where: bop denotes beginning-of-period equity. Because the corporation is unlikely to issue new shares, retained profits will be the only source of additional equity, therefore we can rephrase this equation as

$$g^* = \frac{R\ x\ Earnings}{Equity_{bop}}$$

Where R is the company's retention rate or R equals 1 minus dividend payout ratio. The equation "Earnings/Equity" in this formula is the firm's return on equity, or ROE. Hence,

$$g^* = R\ x\ ROE_{bop}$$

It can be re-written as $g^* = PRA\hat{T}$

Where: where *P* equals the profit margin, *A equals* the asset turnover ratio, and $\hat{T}$ denotes the assets-to-equity ratio. The assets-to-equity ratio dresses a hat in this equation as a notice that it 's assets divided by *beginning-of-period* equity rather than end-of-period equity.

This is the sustainable growth equation. Let's have a look at what it says. The equation says that a company's sustainable growth rate in sales, g*, equals the product of four ratios, P, R, A, and $\hat{T}$, given the conditions above. The P and A ratios represent the business's operating performance, while the other two describe the firm's primary financial policies. As a result, the retention rate, R, shows management's views on dividend distribution, while the assets-to-equity ratio, reflects its financial leverage policies.

The sustainable growth equation has a crucial implication: g* is the only sales growth rate that is consistent with stable values of the four ratios. One or more of the ratios must change if a company's sales increase at a pace other than g*. This means that if a company's growth rate exceeds its sustainable growth rate, it should either enhance its operations (as measured by a higher profit margin or asset turnover

ratio) or prepare to change its financial policies (represented by increasing its retention rate or its financial leverage).

As a result, asset turnover, profit margin, dividend payout ratio, and leverage ratio are the decision variables for effective management of a firm's growth. The first two are about operating performance, while the other two are about the company's main financial policies. As a result, the sustainable growth rate is the rate that does not necessitate changes in one or more of the four variables, i.e., if the company increases sales at a pace other than the sustainable growth rate, one or more of the four ratios must change.

A brief on the decision variables of the model

The sustainable growth model necessitates a delicate balance of sales, operations, and financial goals. The decision areas outlined in the following paragraphs should be evaluated in order to meet this need for objective consistency.

Profit Margin

The term 'profit' can have a variety of connotations, so it's a good idea to look into them. It includes a range of positions such as gross margin, which is the total value of sales realizations fewer actual costs other than depreciation and interest; net profit before tax, which is profits before interest on borrowings is paid; and net profit (profit after tax), which is profits after tax liabilities are met. In the context of this study, net profit is assumed because the company should be able to generate surpluses once all of its obligations have been met.

When an enterprise's real growth exceeds its sustainable growth, one of the decision possibilities that the management may examine is increasing the profitability of operations. Profitability will rise, generating income to support the rising resource demand.

Asset Turnover

An organization's assets must be used in a way that maximizes revenue. As long as the firm maintains its return on assets, the higher sales created by more efficient asset usage will contribute to the generation of money needed to fund the necessary investment in assets to support growth. As an input, the model uses the reciprocal of the asset turnover ratio, which is used in the denominator. The lower this number, the higher the asset turnover - the ability of the assets employed to generate money. In this study, the outcome of dividing total assets by total operating revenues is utilized, with the assumption that operational revenues are subject to more accurate forecasting than total revenues, and that a growth in nonoperating assets does not always necessitate an increase in assets.

Retention Ratio

Surplus funds generated from an enterprise's operational activities are a function of the firm's profit margin as well as the extent to which the generated net profit is retained in the business for future usage. The greater the proportion of profits maintained in the business to total net profit created, the greater the profit-generating capacity of the business. When a company's actual growth exceeds its sustainable growth rate, one option is to increase the retention ratio; if sustainable growth surpasses actual growth, the opposite option is to increase the payout.

Leverage Ration

Because corporations sometimes prefer to issue debt instruments rather than stock securities, and because more debt equals more mandatory interest payments, the leverage ratio of a company's growth management is important. Borrowing is one method of obtaining additional funds when the company requires them to support higher sales. Increased borrowing, on the other hand, has its drawbacks. To begin with, the company's capacity to create capital through more borrowing will be hampered. Second, whether the company generates a profit or not, it must pay interest on borrowed cash. The higher the equity (i.e., lower the leverage) in a company's capital structure, the better the lender's backup in the event of financial difficulty, and the better the company's chances of raising loan money for development and expansion. The equity component of the capital structure in public firms is modest, according to Ramanadham (1987, p 116). He claims that the equity's minimal supremacy originates from the fact that its practical significance is limited in many countries' public companies for three reasons:

To begin with, the majority of the loans come from the government, and it would be pointless for the government as a lender to base its confidence on its own equity. Not the structure of a public enterprise's capitalization, but the substantive feasibility of the investment project should be the determining factor in government injections of funds. Then, many loans obtained from non-government sources (domestic or foreign) are backed by the government. Pakistan, Kenya, and the United Kingdom have all had similar experiences. Finally, it is uncommon for a government entity to go bankrupt. As a result, the risk to the lenders is negligible.

However, Ramanadham's reasoning is unlikely to be accepted in Ethiopia, and this is not anticipated in this study. This is due to the lack of a financial institution dedicated solely to providing loans to public firms, as well as the lack of a practice of giving government guarantees to support public-sector borrowing. As a result, in the absence of special government incentives to encourage public firms to borrow, a

good financial plan is required to ensure long-term growth and thereby avoid growth management issues. The analysis and interpretation of actual data will be carried out in light of this theoretical basis.

Methodology

The case study method is used in this study. The case study method is the most fundamental type of research design. When there is a significant difference between actual and sustainable growth rates, financial actions will be scrutinized to determine the soundness of growth management.

The study took into account Ethiopian Airlines' income statement and balance sheet from 2008to 2019. The statements are used to calculate the company's actual and long-term growth rates for the relevant time periods. Additional sources of information include government proclamations, periodicals, books, and other published materials.

The airline's sustainable growth rates are calculated for each period and compared to the actual growth rates achieved over the year. The data is analyzed by presenting it in tables and graphs as needed. The financial accounts are also used to make financing decisions for different time periods by comparing the relevant figures.This is determined by how closely the company's current and long-term growth rates are comparable. Financial ratios are used in the study to create a long-term growth model.

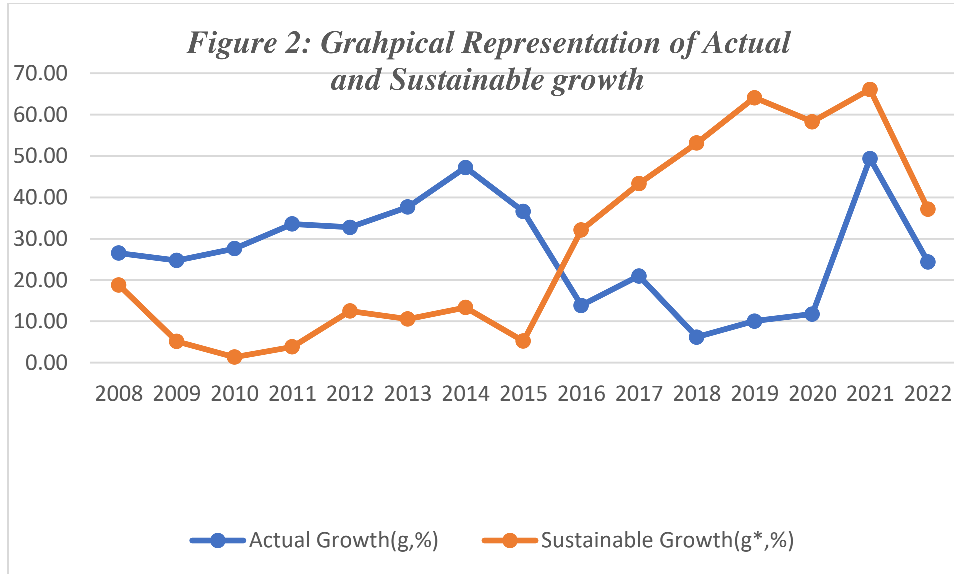
Data Analysis

This section includes an in-depth analysis and interpretation of the airline's financial data from 2008 to 2022, which will be used as input for the analysis to determine whether Ethiopian Airlines' financial condition of growth is properly managed. The sustainable growth rates are calculated using accounting ratios and compared to the actual sales growth rates achieved. Profit margin, retention ratio, asset turnover, and leverage ratio are the financial ratios used.

There is a persistent disparity between actual and sustainable growth rates, as shown in the table (Table 1). This could be due to a failure to make appropriate financial decisions in line with the level of actual growth. It could be due to a failure to align operational profitability with the level of additional funds required to support growth, or it could be due to the firm's inability to acquire and dispose of funds as appropriate depending on the level of actual growth achieved. All of these factors are identifiable and analyzable, and the problems are certainly curable if the

business implements the sound financial strategies recommended at the end of this paper.

Table 1



As shown in figure2 above, the airline's actual growth exceeds its sustainable growth in 8 (i.e., approximately 53.33 percent, from 2008 to 2015) of the 15 years considered in the study. This makes the company a cash absorber in the sense that adequate funding was required to fund operations for the first eight years of the study. What the company can generate in the form of additional resources from retained earnings has not grown in lockstep with the additional cash required to back up increased sales. As common sense would dictate, a company strained by a lack of funds to support increased sales should raise funds internally or from outside sources.

Contrary to the first 8 years, the last 7years (2016-2022), the Airline showed too little growth. Slow-growth companies—those whose sustainable growth rate exceeds actual growth—face similar growth management challenges. Slow-growth companies face the dilemma of what to do with profits in excess of company needs, rather than constantly struggling for new cash to stoke the fires of growth. This may appear to be a minor or even enviable issue, but for an increasing number of businesses, it is a very real and sometimes frightening one.

Decision alternatives

1. **The years 2008 to 2015**

The first eight years witnessed (see Figure 1) the airline's actual growth exceeds its sustainable growth. When actual growth exceeds sustainable growth, what

should management do? The first step is to figure out how long the situation will last. If the company's growth rate is likely to slow in the near future as it matures, the problem is only temporary and will most likely be solved by additional borrowing. When the actual growth rate falls below the sustainable rate, the company will transition from being an absorber of cash to a generator of cash and will be able to repay the loans. However, the situations persist for eight years which seems that management is absorbed only on expanding the market share not on managing on this growth. Hence, let see some combination of the following strategies that would have been required to address long-term sustainable growth issues as suggested by Higgins (2019). They are selling new equity, increase financial leverage, reduce the dividend payout, prune away marginal activities, outsource some or all of production, increase prices and merge with a "cash cow".

- Sell New Equity: Increasing equity makes more funds available to the company. The issue with this strategy is that it is unavailable to many businesses and unappealing to others. Equity markets are underdeveloped or nonexistent in countries like Ethiopia around the world. To sell equity in these countries, companies must go through the time-consuming and costly process of seeking out individual investors to purchase the new shares. This option, however, has limited significance for Ethiopian Airlines because first Ethiopia doesn't have equity markets and second the government is unlikely to provide new funds every year the company plans to grow. But it must be noted that the government does not take funds from Ethiopia Airlines in the form of dividends till 2018.
- Increase financial leverage: If selling new equity does not solve a company's problems with sustainable growth, there are two other financial options. The first option is to reduce the dividend payout ratio, as is the case with Ethiopian Airlines, and the second is to increase financial leverage. A reduction in the payout ratio promotes long-term growth by increasing the proportion of earnings retained in the business, whereas increasing the leverage ratio increases the amount of debt the company can incur for every dollar of retained profits. In the case of Ethiopian Airlines, leverage has been generally higher, with an average of 54 percent over the eight-year period (2008-2015). With such a high leverage ratio, this option will be less important for generating funds in the future. If dividends were at the discretion of the company's management, it would be advantageous to take out a loan when the company expects to make a lot of money. After meeting the smaller fixed commitment of loan interest, this will have the opportunity to declare large dividends. However, the

amount of the dividend paid by Ethiopian Airlines is not determined by equity. Regardless of the leverage ratio, when the enterprise makes a large profit, the government receives a large portion of it.Though Ramanadham's (2019) justification for the low level of capital in public enterprises may not apply to Ethiopian Airlines, the phenomenon is clear: the airline is highly leveraged, as evidenced by the significant proportion of debt to total assets. This has a significant impact on growth management because the firm's ability to generate funds through borrowing in the future will be hampered.

- Reduce the dividend payout: 'Just as there is an upper limit to leverage, there is a lower limit to a company's dividend payments' of zero, which most companies have already reached. No surprise, a lower payout ratio provides funds to the business because it can help generate additional funds from its earnings. However, because it is not under the full authority of the airline, this financial decision option is not a viable option. The general consensus is that equity is that portion of capital that does not have a guaranteed dividend and is due for payment only when the board of directors recommends it. However, this does not apply to Ethiopian Airlines as it is a public enterprise. It is clear that the company has a dual character. It has a public dimension, which manifests itself in public ownership, control, and the advancement of public interest, as well as an enterprise dimension, which reflects the business nature of the operations. With this understanding, it is unarguable that it is required to contribute funds to the government in the form of a state dividend. As a result, a significant reduction in dividends is not desirable. Despite this compelling argument, Ethiopian did not pay funds to the government in the form of dividends during the period.
- Other decisions (Prune away marginal activities, outsourcing, increase process and merger): In situations where actual growth is supposed to be excessive, reducing growth may be viewed as an alternative that can get the firm out of financial trouble. Profitable pruning addresses the issue of sustainable growth in two ways: it earns cash immediately from the sale of marginal enterprises, and it limits actual sales growth by eliminating some of the sources of growth. But when we see the sources of revenue from its annual report for the airlines, it come from passengers, cargo, and air maintenance for more than 97% in all the years under investigation, hence this strategy is not an option to consider for the company. Increasing prices may assist the company in achieving a certain level of sales with fewer resources. As long as the price increase is significant enough to cause customer loss, this option should be avoided where possible.

Nonetheless, this option is only used if everything else fails. Furthermore, a merger program with a business with better financial resources will be an option; however, this is unlikely to be feasible because Ethiopian Airlines is a state-owned business with a societal mission rather than solely business objectives.

2. **The years 2016 to 2022**

Slow-growth companies have a distinct kind of growth management challenge: their sustainable growth rate surpasses their actual growth rate. Slow-growth companies have the challenge of what to do with profits in excess of company needs, rather than always scrounging for new capital to stoke the fires of expansion. This may appear to be a minor or even enviable issue, but it is a very serious and even frightening issue for an increasing number of businesses.

Let's take a closer look at Ethiopian Airlines to see how insufficient growth causes problems. Ethiopian's seven -year sustainable growth analysis is presented in Table 1. It demonstrates that Ethiopian's sustainable growth rate in sales has outpaced its actual growth rate by more than a two point six-to-one ratio on average over the last seven years. What did management do with the extra money?

The first step in addressing problems caused by insufficient growth is determining whether the situation is temporary or long-term (Higgins,2019). If the situation is only temporary, management can simply keep accumulating resources in anticipation of future growth. When the problem is more long-term, the question is whether the lack of growth is industry-wide (the natural result of a maturing market) or unique to the company. This is the case of the Ethiopian Airlines as the slow growth persists for the last seven years, from 2016 to 2022. If the latter, the reasons for insufficient growth and potential sources of new growth can be found within the company.

In this case, management of the Ethiopian Airlines must carefully examine its own performance in order to identify and remove internal constraints on company growth, which could be a painful process involving organizational changes as well as increased developmental costs. The nerve-racking aspect of such soul-searching is that the strategies implemented to boost growth must bear fruit within a few years, or management will be forced to seek other, often more drastic solutions. When a company is unable to generate enough growth internally, it has three options: ignore the problem, return the money to shareholders, or buy growth.

Ignore the Problem

This response takes one of two forms: Management can proceed investing in its core corporations regardless of the lack of captivating returns, or it can definitely sit down on an ever-larger pile of idle resources. The problem with each response is that, like puppies to a furnace hydrant, underutilized assets entice unwelcome attention. The excess cash generated by the company may tempt management to enter into corrupt practices as it reported by Flynt (2019) on Organized Crime and Corruption Report Project. Hence, ignoring the problem by Ethiopian Airlines in not advisable.

Return the Money to Shareholders

The most obvious solution to the idle resource problem is to return the money to the owners simply by increasing dividends or buying back shares. It seems with this understanding that Ethiopian Airlines began paying to the government in the form of dividends beginning from 2018 as indicated in table –above. Although this solution is growing in popularity, it is still not the preferred strategy for many managers. The main reason is that many CEOs seem to tend to grow even when the growth in shareholder value creates little or no value (Higgins, 2019). On a personal level, these managers, according to Higgins, refuse to pay large profits because it is a failure. This appears to be the case with Ethiopian Airlines, as evidenced by dividend payout ratios of 9% in 2018 and 5% in 2019. The task of making a profitable investment is delegated to managers by shareholders, and the company's returns indicate an inability to perform a critical management role.The easiest way to say this is that dividends decrease the size of the management empire, which goes against primitive human nature.

Donaldson (1984) and others also file a bias in the direction of boom on the organizational level. In a carefully researched evaluation and synthesis of the decision-making conduct of senior executives in a dozen massive organizations, Donaldson noted that executives typically choose increase, even uneconomic growth, out of problem for the lengthy-run viability of their groups. As senior managers see it, length offers a few protections towards the vagaries of the marketplace. Moreover, growth contributes appreciably to agency morale via creating stimulating profession opportunities for personnel throughout the business enterprise, and when boom slackens, the business enterprise risks dropping its excellent human beings.

Buy Growth

The third way to get rid of gradual-growth troubles is to buy growth. Influenced by using pride in their capacity as managers, problems for keeping key employees,

and worry of raiders, managers often reply to extra cash drift by trying to diversify into different agencies. Management systematically searches for profitable growth possibilities in other, more colorful industries. And due to the fact time is a factor, this generally entails obtainingpresent groups rather than starting new ones from scratch. This may show the Airlines endeavor to the point discussed. According to the CEO of the company's 2018 annual report, the Airlines purchased more than one aircraft per month, with a total of 14 additional new aircraft in the company's fleet family, allowing the company to pass the 100th aircraft in service milestone during the year and becoming the first African airline in history to do so. According to Loza Seleshi(2021) report in the Africa Report, Ethiopia's national carrier already has stakes in Chadian Airlines (49 percent), Zambia Airways (45 percent) – whose relaunch has been delayed until at least the end of 2021 – Malawi Airlines (49 percent) – which is facing liquidation – and Ethiopian Mozambique Airlines (99 percent). But this endeavor must be seen whether the Airlines invested on profitable growth in these multitude of other airline companies. However, Ethiopian Airlines' acquired airlines perform poorly in domestic, regional, and international markets (Warnock-Smith, 2019). For example, according to Skytrax, an airline performance review organization, Mozambique airline standards have dropped significantly in recent years, according to a 2020 review. Similarly, the performance of Zambian airlines in 2016 and 2017 was poor (Nakazwe and Chomba, 2019). Ethiopian Airlines has acquired significant shares in these airlines in order to achieve its Vision 2025 multiple hubs strategy in Africa, and it appears that it is investing against the advice of finance scholars such as Higgins (2019).

Conclusion

This article sheds light on a challenging and possibly underappreciated topic: ensuring sustainable growth, particularly for Ethiopian public enterprises. The theoretical and practical aspects of the sustainable growth model are discussed, as well as the concerns that must be addressed in light of Ethiopian Airlines' current circumstances. The theoretical and practical aspects of the sustainable growth model are discussed, as well as the concerns that must be addressed in light of Ethiopian Airlines' current circumstances.

In the study period (2008-2022), there is a significant disparity between Ethiopian Airlines' actual and sustainable growth rates; from 2008 to 2015, the actual growth rate is greater than the sustainable growth rate, and vice versa thereafter, indicating a weakness in managing the financial dimension of growth.

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