

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- May-2018

B.Tech VIII Semester

MAX. MARKS:35

COURSE CODE: 11B1WPD832

COURSE NAME: Strategic Management

COURSE CREDITS: 3

MAX. TIME: Two Hours

Note: All questions are compulsory. Carrying of mobile phone during examinations will be treated as case of unfair means. Answer questions 1 and 2 on the basis of the given case study. All questions carry equal marks.

Case Study

In 1981, British Airways lost almost 140 million pounds. In words of Collin Marshal who joined the company from Avis as chief executive: 'Horror stories abounded. Passengers complained of grubby, uncared-for aircraft, while cabin crews in turn told tales of woe about broken trolleys and ovens that would not heat the meals. The complaints about staff were, if anything, even worse.'

Five years later, however, BA's profits were the highest in the industry, and 94% of its employees bought stock in 1987 when the firm went public. With essentially the same workforce, flying largely the same routes, British Airway became one of the world's leading airlines. A major element of this transformation was what has been described as a 'cultural revolution', engineered by the airline's chairman and chief executive, Lord King and Sir Colin Marshall. The company is often held up as an example of one of the few companies to have successfully achieved a major cultural change, but it took a very long time, and considerable expense and top management support and encouragement.

Between 1983 and 1986, virtually the entire 37000-person workforce was put through a two-day culture change training programme entitled 'Putting People First' (PPF). Almost all of the 1400 managers went through a five-day version entitled 'Managing People First'. What separated these from most normal management training sessions were their magnitude, the consistency with which they were applied throughout the organization, and the commitment of money and top management time.

Although sometimes mocked as the 'learn to smile' sessions, PPF contained advice, not just on customer care, but on managing stress and achieving confidence and personal growth. It also made strong use of the power of meanings to attack BA's traditional culture which resembled that of armed forces, where many of the pilots had received their initial training. People wore military style uniforms, worked according to strict rules, and deferred to those of higher rank. However, at PPF sessions, they were told that they were in a highly competitive situation, and needed to use personal initiative to ensure the quality of service they offered to customers. Uniforms were not worn and employees worked in groups that crossed traditional boundaries of rank and department.

Colin Marshal is said to have personally attended 95 percent of the PPF sessions to explain his vision for the airline and answer questions, and to have worn his 'we're putting people first' lapel badge for two years. Furthermore, he conspicuously and assiduously 'walked the talk', going out of his way to feedback from customers and crew whenever he flew BA, and on one occasion serving breakfast to customers queuing for a new service.

The programme was followed by a variety of follow-on courses and supported by other changes. An appraisal scheme was instigated that measured not only what managers did but how they did it, and a new compensation programme was brought in which paid bonuses of up to 20% of salary based on how managers behaved. Crew schedules were changed so that people would work regularly with the same family of colleagues. An extensive system for briefing employees was put in place, with special arrangements, eventually including daily TV broadcasts, for staff who were travelling or alone.

The cultural change at BA was clearly enduring. Some 75 of the 100 teams formed to spread the message of PPF were still active in the 1990s. But it was not the only reason for BA's revival. Between 1981 and 1983 the airline had slashed its cost base, making some 40% of staff redundant on generous terms and embarked on investment in new aircraft facilities and systems, although those could also be seen as symbolizing management commitment to the change programme. Engine maintenance and IT were outsourced.

And when Marshall's successor attempted a second revolution to shrink the cost base further, in response to competition from low cost airlines, cracks appeared in BA staff's unity. Negotiations on new contracts stalled, and the airline's heavy handed attempt to dissuade crew from striking led to a period when some 2000 employees called in sick, leading to extensive flight cancellations. The Transport and General Workers Union recruited several thousand new members at BA at a time when union membership was falling elsewhere in the UK private sector. Although BA's reputation for customer service has stayed strong, industrial relations have remained fragile, with a threatened strike in February 2007 being only narrowly averted.

Q1. What processes were changed in BA to bring about a change in culture?

Q2. How should British Airways deal with its fragile industrial relations?

Q3. Compare Porter's view of developing business level strategy with the resource based view. Which of the two would you prefer and why?

Q4. Explain with an example the value adding and value destroying activities of a corporate parent.

Q5. How do organizational structures help or hinder strategy implementation?

Q6. How can leaders encourage innovation in their companies?

Q7. Answer the following briefly: (2+2+1=5)

a) How is the PESTLE analysis used in strategic management?

b) What increases the bargaining power of suppliers in an industry?

c) What are the disadvantages of the cost leadership strategy?