

Sustaining is success

Keywords:

LEADERSHIP,
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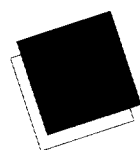
upon productivity in this company – whether the dissatisfaction felt by employees would eventually manifest itself through less effective output, regardless of new processes. Although this study has shown how leadership influences culture, it is not entirely clear how much culture impacts productivity.

Many of the lessons learnt by this utility firm are not just specific to quality. Evidently, culture and leadership are crucial to the success of any new initiative and at present, appear inextricably linked. Sustaining your new culture is extremely difficult, especially in the face of both internal and external threats. In today's organizations, these challenges are inevitable in one form or another. This is where leadership could be key to your success. It is essential that leaders are aware of their ability to influence outcomes of planned change, and will be prepared to accept transformations without any hint of the threat-rigidity response. Although this is the most difficult time for leaders, it is also the most crucial. To introduce an initiative is to think successful; to sustain it is to be successful.

This review is of "TQM: the role of leadership and culture" by Kim Buch, of the University of North Carolina, USA, and Drew Rivers, of The Ashton Brand Group, Charlotte, North Carolina, USA. It was originally published in *Leadership & Organization Development*, Vol. 22 No. 8, 2001, pp. 365-71.

This case study has a slightly academic feel but offers a clear and concise insight into the importance of leadership in TQM. Hypotheses are proposed clearly and argued with the use of evaluative data. The discussion of results provides a number of managerial implications that would prove highly useful when implementing not just a quality initiative, but any change program.

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EasyJet and Southwest lead the way

David v. Goliath

The airline industry was dealt a hammer blow by the terrorist attacks on the USA last September. With passenger confidence damaged, many large carriers are facing desperate times. But in among this chaos the low-cost airlines are proudly flying the flag for air travel.

For many large airlines already suffering with the economic downturn, 11 September 2001 was a bitter blow. Passenger traffic fell by as much as 40 percent in the following weeks and reflected a huge loss of confidence among the travelling public. Capacity reductions, route cuts and job losses all became disappointing inevitabilities.

The larger independent and state-owned airlines are faring much worse than their low-cost rivals. The facts speak for themselves – 11 September proved the final straw for Swissair (and subsequently Sabena) and also blew great holes into the balance sheets of many others. United Airlines suffered a dramatic 51 percent fall in its share prices. AMR Corp shares (the parent firm of American Airlines) are now valued 24 percent lower than 10 September. Conversely, the fortunes of the no-frills domestic US airline Southwest were quite remarkable and the airline saw its capacity grow by over 7 percent in

November, coupled with an astonishing 46 percent rise in its share prices since the attacks.

One possible reason to explain this surprising growth is that the low-cost carriers have not needed to drastically reduce their ticket prices in order to entice passengers back on board. Their costs are much lower than the larger airlines and as a result revenues per passenger are higher. Thus their prosperity is sure to continue until the bigger carriers take action and decide on a recovery strategy.

Entrepreneurship leads the way?

Despite the more obvious reasons for the disparity between the airlines, the most successful low-cost carriers also share a common approach to conducting business. Southwest Airlines, the mother of all low-fare carriers, has long been held aloft as a shining example of entrepreneurship.

It is argued that no other airline has contributed more to the advancement of the commercial airline industry than Southwest. It was the first airline to offer a frequent flyer program to give credit for the number of trips taken and also pioneered senior discounts, "Fun fares", "Fun packs", a same-day air freight delivery service, ticketless travel, and many other unique programs.

The booming UK example EasyJet is from a very similar vein. Led by charismatic Greek entrepreneur Stelios Haji-Ioannou, the airline achieved a 33 percent rise in October traffic on the same month in 2000 and in the space of five years has become widely regarded as one of the best European low-cost airlines. David Rae believes that this entrepreneurial approach to business has allowed Southwest and EasyJet to flourish in difficult circumstances as they are continuously able to "challenge and transform" their industry.

Whereas direct criticism of some of the national carriers would be unjust in many instances, the events of 11 September have only served to underline the fact that they have been too heavily reliant on government support. Analysts believe that the terror activities brought to everybody's attention what they had known for a long time – the fact that there are a number of airlines operating on a non-commercial basis.

EasyJet and Southwest on the other hand have clearly demonstrated how an entrepreneurial approach to business and a low cost base can bring enviable efficiency and increasing profits – and all this in the face of the toughest adversity.

Marketing games

Despite the concentrated areas of success, general confidence in flying remains low and as a result Southwest is the only US airline expected to report a profit for 2001. Getting people back on board is going to be a challenge, and may yet claim more household names along the way.

Rather surprisingly, marketing has played a minimal part since the attacks. In the aftermath of the Gulf War British Airways launched the "World's biggest offer" promotion in a fanfare of publicity. The marketing undoubtedly did the trick and flagging sales recovered impressively. However, this time around the big marketing messages are curiously absent – both British Airways and Richard Branson's Virgin Atlantic dropped their advertising campaigns on the day of the attacks and have yet to restore them. On the face of it this decision seems hard to understand (after all, British Airways experienced one of the biggest falls in passenger traffic of any airline). Instead the big carriers appear to be playing the waiting game, believing that it is the job of governments to restore passenger confidence by tackling issues such as airport security. Once again, the approaches of the low-cost carriers are notably different. Whilst the bigger airlines appear to be

sitting on their hands, low-cost airlines have seen the gap in the market and are happily encouraging the public that flying is as safe as it has always been.

While the big players halt their advertising spend, cut their costs and hold out for government aid, the Southwests and EasyJets of this world are flourishing as a result of their targeted offers and innovative marketing.

Listening to passengers

Whatever opinions exist on the role of marketing in this crisis, the old adage still tells us that the customer is always right. So in the face of the mounting pressures on airlines is anyone spending time listening to their customers?

Scandinavian airline SAS would argue it has been listening for years and recently challenged itself to come up with a larger number of product variations and provide greater consumer choice while coping with the increased pressure on the airline. In other words SAS decided to take pole position in developing the airline industry, and to do this knew that it had to gain a complete understanding of customer needs.

It began by developing a model for service development that translated into a blueprint drawn up to deliver the process. The "process" normally comes in three steps: collecting the "voice of the customer"; translating it into corporate language and presenting a description of how the company will work to fulfil customer requirements. SAS did this but focussed on customer needs as opposed to company regulations. Therefore the fare paying customers designed the process rather than being squeezed into a company-designed system.

One development to come out of this approach was the SAS kiosk. The kiosk is an interactive information system that helps passengers personally take care of ticketing, seating and other procedural activities, as well as supporting several personal activities and allowing passengers to select the level of assistance they want from staff. It also means staff can be concentrated more efficiently in those phases where personal contact is most appreciated and, in addition, provides a valuable database of who is travelling where, and how often.

The SAS story serves to illustrate an important point – no matter how difficult the business environment becomes, companies cannot afford to lose sight of their primary goal – reaching and satisfying customers. Have the larger airlines lost sight of this concept to the advantage of the low-cost carriers?

The future

Keywords:

AIRLINES,
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CRISIS,
CUSTOMER
ORIENTATION

Many airlines have found out the hard way that expanding to become number one is not as important as making profits. Whilst some of the bigger airlines are floundering, through a combination of entrepreneurship and shrewd business practice their low-cost rivals have stuck to their guns – and won. The larger airlines now know that they cannot simply slash prices and hope to be competitive – instead they must seek additional business and develop new strategies with which to face the future.

Whatever the future may bring, the volatility of the airline industry can never be underestimated. The term "survival of the fittest" has never appeared so apt and the age of the low-cost airline may well be upon us.

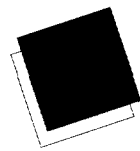
This review is based on: "EasyJet: a case of entrepreneurial management" by David Rae, originally published in *Strategic Change*, October 2001, pp. 325-36; "Getting them back on board" by Branwell Johnson and Åse Hedberg, originally published in *Marketing Week*, 11 October 2001; and "Customer focused service development in practice: a case study at SAS" by Anders Gustafsson, Fredrik Ekdaahl and

Bo Edvardsson, originally published in the *International Journal of Service Industry Management*, Vol. 10 No. 4.

The Rae article uses the case of EasyJet, a low-cost airline, to explore entrepreneurial management, first describing the emergence of the study of entrepreneurship in academic literature. It suggests that there is a gap in understanding of how a new venture manages its strategic and operational learning and development to exploit opportunities and grow the business and considers the way in which entrepreneurs challenge and transform old industries. The article is useful for a critical analysis of EasyJet's strategy and also for the conclusions it offers for management practice and entrepreneurial theory.

The Johnson and Hedberg article discovers that the big transatlantic airlines are not advertising and promoting their way out of the crisis caused by the terrorist attacks on New York on 11 September and are instead waiting for consumer confidence to be restored. It also discovers, by contrast, that the low-cost, short-haul carriers are offering bargains and redirecting some spend to areas where national carriers are in trouble. The article employs a journalistic style and serves as a highly readable background to the current state of play for the airlines.

The Gustafsson, Ekdahl and Edvardsson article shows how the airline industry will be going through dramatic changes in the years to come. This is due foremost to altered customer demands and expectations, but also to deregulation of the airline business. Many airlines have lost track of the true needs of their passengers and are trapped in outdated views of what airline services are all about. The paper illustrates how Scandinavian Airlines System (SAS) has carried out thorough investigations into the concerns of the customers throughout the entire travel experience. The article is highly readable and offers practical insights into the relationship between an organization and its customers.



The myths and misconceptions of e-commerce

Everyone knows the party is over for the dotcoms. The morning after, some party guests have completely disappeared, others are regretting their behavior and promising to be sensible in the future. The guests that just had a few drinks are relieved to be still standing. So what did happen last night?

In short, too many companies believed the hype. Three years after dotcom mania first hit the headlines, it appears that the Internet is a different way of doing things, but not so different that all the old business methods no longer apply. Business methods like putting in place a coherent strategy, making a profit within a reasonable timeframe and avoiding excessive levels of debt.

One of the most common misconceptions was that being first guaranteed success in e-commerce. Being first only guaranteed companies that they were first. It did not guarantee that they would not be overtaken by better competitors.

To be first and stay first requires:

- a business opportunity that is big enough for just one company and a company that is big enough to take advantage of the opportunity;
- a product or service that competitors cannot improve on;

Being first does not guarantee success