

Ryanair and EasyJet which provide a no-frills service (Byrne, 2011). Due to market deregulation in the UK, liberalisation of the EU markets and open sky agreements between the European Union and other countries, both market opportunities and competition have intensified for legacy national carriers such as British Airways, as more of its market share has been encroached upon by an increasing number of market rivals and other market forces (Berechmann and Wit, 1996).

Important market dynamics that have resulted in the current industry structure include the emergence of the low cost budget carriers which introduced a different business model into the airline industry by redefining cost structures and operational strategies that were previously taken as industry standards (Wild, 2014). For example, through a radical cost cutting approach, Ryanair and EasyJet were able to democratise air travel and drive down the prices of airline tickets. This involved removal of standard extras such as inflight meals and entertainment, baggage handling, insurance and seat reservations, which were usually provided by as free complimentary services within the ticket price; charging for these services instead and offering customers the option of purchasing flight tickets at very attractive reduced prices (Frankel, 2004). This essay provides strategic analysis of British Airways in terms of its competitive environment and current challenges. The sections covered in the essay include company overview, external and internal environmental analysis based on the PEST Framework and SWOT analysis respectively. The essay also provides TOWS framework analysis which identified market development and market diversification strategic options for British Airways based on the SAF assessment of the recommended option.

Strategic Review - Environmental Analysis

PEST Analysis

The PEST framework is used to carry out analysis of British Airways 'external environment in terms of the political, economic, social and technological factors that are affecting its operations (Johnson et al., 2014).

Political

British Airways is affected by the government policies and political situation of the various markets in which it has operations. For example it has to comply

with anti-terrorism security legislations and air control laws that have come into place since 9/11 terrorist attacks and the London bomb attacks that took place in 2001 and 2005 respectively (Blalock et al., 2007). Britain's exit from the EU may also affect business operations due to the delays, and immigration disputes that may arise and the changes to passenger immigration arrival and departure procedures for flight between the UK and EU countries (Fan, 2019).

Economic

British Airways is affected by the general economic conditions and the disposable income that is available for people to spend especially with regards to discretionary spending. For example, the 2008 economic crisis which affected both households and businesses caused many individual and business flyers to favour budget flight options which offered more value for money. Furthermore, there has been a general decline in the number of passengers compared to the pre-recession period (Borko, 2018). The lowered value in the strength of the Pound Sterling in relation to the Euro and US dollars also has significant implications for the airline's profits as though the weakened pound may encourage tourists to travel to the UK, it is also likely to significantly increase costs of its foreign operations. Another major economic factor that affects its profits is the price of fuel (BBC News, 2016)

Social

The demand for British Airways' flights are affected by social trends such as tourism, holidays and social events that require people to travel from one city or country to another. Furthermore, the wide availability of the internet means that customers can now compare flight prices from different providers easily which affects the way the company prices its flights. Current social distancing as a result of the Covid-19 pandemic has also resulted in a halt of flights and closure of the airline's operations at Gatwick airport (BBC, 2020).

Technology

Technology is an important aspect of British Airways' operational strategy in terms of its online booking system and check in services. Furthermore, it offers its customers convenience, flexibility and personalised flight services through mobile app technologies that customers can access anywhere at all times (Caswell, 2018).

SWOT Analysis

The SWOT framework (Johnson et al., 2014) is used to carry out analysis of British Airways internal environment in relation to the strengths and

weaknesses of its operations and the threats and opportunities that are in its external environment.

Strengths

British Airways' strengths are identified to include its long history of reputation and competence in providing quality customer service as well as its premium global brand. It also has strong profitable strategic alliances such as its membership of the IAG Group and the One World Alliance, which provides it with wider network accesses, advanced technological resources and a bigger passenger database through code sharing partnerships (British Airways, n.d.; IAG, 2020).

Weaknesses

A major weakness of British Airways is that due to its large fleet operations it has higher operational costs than most of its competitors, including its low cost rivals. This is further compounded by its differentiation strategy which is based on quality, innovation/value added services and exceptional customer services (British Airways, 2017). The airline also has a history of labour issues due to frequent strikes by its pilots and cabin crew over pay disputes resulting in disrupted operations and loss of profits (BBC News, 2019). Recent dispute over pilots' salary resulted in cancellation of more than 2,325 flights (Topham, 2019).

Opportunities

Given current poor employee relations history, there is opportunity for British Airways to improve in this area, which will help to reduce operational disruptions and improve reliability of its service. Furthermore, in order to improve its market share, there is opportunity to grow in the short-haul market through forming of the right strategic partnerships with low cost budget airlines that specialise on such routes.

Threats

Shrinking market share and increased encroachment from budget rivals such as Ryanair and EasyJet remain a serious threat for British Airways. Another serious threat relates to the Covid-19 pandemic, which has greatly reduced international travel and general movement of people (BBC, 2020). Deepened recession in the aftermath of the pandemic is also likely to affect disposable income of both businesses and consumers. Furthermore, the current social trend of meeting online and attending social events online through popular technologies such as Zoom, may have a more lasting effect on people's view

about travelling, which will reduce the need for both domestic and international travel and flights (PMGroup, 2020).

The Implications of BA Management Strategy

This short report has attempted to review the changing employee relations strategy of BA over the years and to contextualise the strategic choices open to BA management to create a sustainable work environment. What we observe over the years is a very pragmatic management strategy, whereby HRM is applied on a piecemeal basis with no consistent long term sustainability or coherence. While there is formal commitment to quality service and investment in human capital, the commitment is constrained by short term exigencies. The company appears to vacillate from one employee relations 'tactic' to another, according to external or internal shocks. At its very worst, the company resorts to turning on its own staff in a short term effort to cut costs, irrespective of the effects this might have on staff morale, staff commitment, and, ultimately, customer relations and business competitiveness. Standards of behaviour, while central to quality service, and recognised (at times) by the company to be of crucial importance, are dissolved by sporadic opportunistic hostility to collective worker organisation. Notions of employee engagement are left behind, exposed as mere rhetoric in the process. Most importantly, a culture of low trust between management and its employees is created and acts to constrain or even destroy more laudable attempts to build motivation, commitment and attachment to the company goals from rank-and-file staff.

For cabin crew the implications of the current management approach to their pay and working arrangements is highly damaging. Cabin crew are the most important 'front-line' staff within any airline's operations in terms of customer satisfaction and corporate brand experience. Quite simply, their emotional and aesthetic labour is central to an airline's relationship with its customers, determining not only the immediate customer experience, but, more importantly, the willingness (or not) of a customer to return to the airline as a brand of choice. However, all the case study evidence analysed and dissected by academics highlight the importance of the link between job satisfaction of staff, customer service, and higher organisation profits¹⁷. Crucially, we can define a difference between *attitudes* (deeply held beliefs) and *behaviour* (short term ways of responding). Attitudes are stronger and more stable, but personally held and formed by internal motivational drivers which link directly to organisational commitment. The associated *emotional labour* 'requires one to induce or suppress feelings in order to sustain the outward countenance...this calls for a co-ordination of mind and feeling, and it sometimes draws on a source of self that we honor as deep and integral to our identity' (Hochschild, 1983)¹⁸. Behaviour, in contrast, is transient, subject to vacillation and change,

and can be altered by external shocks and stimuli as well a breakdown of lowering of trust between management and employee. For BA, as high quality full service carrier competing for business passengers on important and busy competitive routes, the need for cabin crew to display *attitudinal* strength towards customer service is essential. The alternative scenario, of coerced or bullied behavioural patterning implanted from the outside on a demoralised and resentful staff is potentially disastrous. The fixed smile and the helpful demeanour will crumble at the first sign of stress, and confidence in the 'customer experience' of flying BA will be the first casualty, closely followed by a decline in competitiveness and profit opportunities. Importantly, links between organisation culture, staff training, employee commitment and health and safety need further exploration. The LCC strategy of employing newer, younger staff on lower terms and conditions may not only affect employee commitment (and customer satisfaction) but also have implications for safety when evaluated through 'critical incidents' or 'human error' reporting. The reporting of 'errors' may diminish if staff feel vulnerable and insecure in their employment¹⁹. Indeed, safety culture has been argued to be 'part of a generic organisational culture and is a measure on how safety is focused both by management and employees throughout the organisation by acting, saying, thinking.'²⁰. Such an embedded culture of safety is difficult to obtain, but easy to lose. Recent survey work reinforces this point, and indicates that organisations with a positive safety climate tend to have fewer accidents.

The strategic alternatives for the management of employee relations in a high quality service oriented organisation have been outlined in this report. Evidence is provided of the choice currently adopted by BA senior management. This strategy attempts to develop human capital while recruiting and retaining talent at the top, and promises employee engagement. However, it is combined, currently, with a cost cutting strategy which involves a belligerent approach to collective employee representation for a core group of staff. The associated bullying, harassment, intimidation and hostile actions taken against trade union organisation could be described in more generalised terms as 'macho-management', made possible by the outward manifestation of an organisational culture whereby power is centred at the centre of a web and behaviour of subordinates is controlled by fear and disapproval. Industrial relations management is now no longer a central strategic HR function, but is left to the vagaries of line managers. Such an employee relations strategy is non-sustainable, and is counter-productive to the medium and long-term interests of shareholders and stakeholders in the company. An alternative strategy is open. This would be to recognise the plurality of interest within the organisation, while at the same time establishing an organisation culture and business behaviour that develops sustainability by high quality service, employee

commitment and motivation. Such a high trust environment recognises the dignity of individual employees and their right to express their interests through elected representatives. It involves a commitment from management and unions to meaningful negotiations and collective agreement. In effect, to quote Flanders (1967) 'The paradox, whose truth managements have found so difficult to accept, is that they (management) can only regain control by sharing it.

Application of code of ethics at British Airways

There are various levels that the code of ethics is applicable at British Airways. At management level code of conducts is used to help in curbing, curtailing and prevention of corruption. The company sees corruption as receiving or giving of bribes and gift to influence business decisions.

Ethic code requires that all company managers at all level shall not receive or give gifts or favours from customers, agents, supplier or any other party so as to gain any business or personal advantage. All managers are protected from exploitations by shrewd business associates in that should the company make losses due to adherence of zero tolerance policy by its managers, the managers are not liable to punishment for such loss.

Local management are responsible for ensuring that all managers and business leaders at all levels are trained and monitored for compliance. Should any manager contravene any of the provision of this code, the Director of Safety, Security and Environment has the responsibility to take any disciplinary action (British Airways, 2002).

British Airways code of ethic regarding employees is used for two main reasons. It esteems to ensure that employees are treated in fairness and that their rights are respected. This is aimed at motivating employees to do the best for the company.

The code of ethics also stipulates that employees have a duty to uphold the highest principles of ethics. The company to ensure that employees feel part of the company has devised new and efficient ways to communicate with employees.

Furthermore the company has proposed several ways through which employees can report any case of contravention of its ethics. Employees have a responsibility to report to any authority of any contravention of ethics or if they feel that their rights as employees of British airways have been put in jeopardy, they can go through a third party (British Airways, 2000).

The company social and environmental report of the year 2000 explains that the Board of Directors are directly responsible for the implementations of the company's social, corporate and environmental ethics.

This will be done to ensure that the company maintain a good cooperate image as well as being socially responsible in service to community. However, the report fail to mention the implications should any member of the board of directors contravene any of the company's code of ethics (British Airways, 2000).

Modification of existing code of ethics

In light of the resent standoff between the company and its employees there is need to modify the code of ethics especially regarding employees relations. Despite the fact that the company modified code of conduct to cater for employees relations, the way in which the company handled the stand off requires that there be ethics provisions that allow for participation staff unions in trade disputes.

As such it would be important to revise the codes of conduct to empower staff unions such as Unite so that the company does not take advantage of such a loophole and exploit workers. Employees always feel that they might be discriminated or their positions in the company put in jeopardy when they reveal any breach of code of ethics.

As such creating a direct link with the company secretary without going though a third party and without revealing the identity of employees, should be part of the ethics code. These would be attained by asking staff union to submit proposal for incorporation, which will be discussed at board level and concession incorporated during the soonest available opportunity.

Such modifications in the company's code of conduct will generate reactions on both the employees and managers. Employees will be motivated to be more committed to the company as they will be rights will be more secured. Employees will also be empowered to report any contravention of the ethics codes without fear of retaliation in terms of discriminations or intimidation.

The company's managers will be compelled to be more diligent in their duty as to as they will be more accountable. The company's ethics system is inclined towards duty of the employees towards the company as well as ensuring that employees 'welfare is taken care of (British Airways, 2000; British Airways, 2002).

Therefore such changes will find ready acceptance especially amongst employees who will see them as opportunities to have more say in the company's business decisions. This will lead to better employees' relations as the company will be obliged by to be more ethical in the way it approaches staff matters.

Conclusion

As a leading airline and corporate brand British airways ought to ensure that it develops an all inclusive code of ethics. The current code of ethics is very articulate in establishing the roles and duties that all employees, from the top managers to lower cadre staff plays in ensuing that the company attains its business goals.

However, the company's ethics code should aim at developing provisions that not only address the relationship between the company and its employees but also address emerging issues.

The ethics should not only be business oriented but also focus on other issues such as employee's welfare. Only when such changes are done will the company reinstate employee confidence as well as avert any future employees' administration standoff.

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