**Managing culture at British Airways**

*The British Airways story*

Even by the standards of modern management myths the British Airways transformation was impressive. In the late 70s and early 80s BA was performing disastrously against almost every indicator. An old fleet made for uncomfortable journeys and contributed significantly to the airline’s record for unpunctuality, its productivity was considerably below that of its main overseas competitors, it was beset by industrial disputes—and it was recording substantial financial losses (£140 million or some £200 a minute in 1981). It seemed that staff discontent was more than matched by customer dissatisfaction and in 1980 a survey by the International Airline Passengers’ Association put BA at the top of a list of airlines to be avoided at all costs. By 1996 this picture was reversed. Not only had BA become the world’s most profit- able carrier, it was also voted the company that most graduates would like to work for and, by the year 2000, another survey declared it the second most admired company in Europe.

Much of the management literature attributes this turnaround to BA’s own cultural change which remodelled staff attitudes and set customer care as the primary focus of activity. As Doyle noted:

In the 80s BA had been transformed from a disastrous loss-making state enterprise—the British Rail of the sky—into the world’s largest and most profitable international airline. It was a triumph for management, showing that Britain could produce world-class companies that could beat the best of the competition. Its success was the result of the process and strategy that management introduced. The process focused on creating a vision that would inspire the BA staff and gain their enthusiastic commitment.

It is certainly true that a great deal of effort and energy went into shaping BA’s culture. At the heart of this was the ‘*Putting People First*’ training programme launched by Colin Marshall, the company’s new chief executive, in December 1983. Originally intended for staff who had direct contact with customers, it was, in fact, attended by all 40,000 employees by 1986 and it aimed to revolutionise their attitudes. In a direct challenge to the hierarchical and militaristic culture that existing in BA at the time, staff were instructed not to attend in uniform and, once on the course, put into cross-functional and cross-grade groups. The course itself was consciously designed to modify behaviour. Attendees were encouraged to take a more positive attitude to themselves, taught how to set personal goals and cope with stress and instructed in confidence building and ‘getting what they wanted out of life’. Lapel badges inscribed with the motto “We’re putting people first” provided a visible reminder of the course’s message.

The approach was self-consciously “indoctrinative”. As Colin Marshall said:

We ... have to ‘design’ our people and their service attitude just as we design an aircraft seat, an in-flight entertainment programme or an airport lounge *to meet the needs and preferences of our customers.* (cited in Barsoux and Manzoni emphasis added).

Colin Marshall’s own personal commitment is one of the most written-about features of the PPF programme. He attended 95 per cent of the PPF courses, setting out his vision for BA and participating in question and answer sessions with staff (though this figure is reported as 40 per cent in Barsoux and Manzoni.) This involvement extended beyond the PPF programme. Each time he flew the chief executive would introduce himself to front line staff and passengers and discuss their experience of BA. Once, when a queue formed at the launch of a new service he helped to deliver breakfasts to customers. In his presence all of the symbols of the ‘new culture’ were expected to be in place— even down to the PPF lapel badges. Staff not wearing one of these had replacements pinned in place and Colin Marshall wore his own PPF badge for two years.

But the most impressive aspect of BA’s cultural change is not so much the sophistication of the PPF programme itself, nor the commitment of executive time, but the extent to which other employment policies and practices were changed to fit the ‘new’ culture and the continued emphasis on these practices and pro- grammes throughout the 80s and 90s. Three-quarters of the one hundred Customer First teams, formed to propagate the message of PPF, survived into the 90s. Not only were team briefings and team working introduced but these were developed and refined with TQM (total quality management), autonomous team working and multi-skilling introduced in many areas. Direct contact with all staff was considered so important that ‘down route’ briefings were developed to ensure that mobile and isolated staff were not neglected and in March 1996 BA became the first company to make daily TV broadcasts to its staff.

In addition to this, emotions were increasingly emphasised in the work process. The way cabin crew were rostered was changed, creating ‘families’ of staff to work the same shift patterns. These were intended to provide mutual support, make cabin crew feel happier about their work environments and, as a result, facilitate the production of emotional labour. A new role of ‘Passenger Group Co-ordinator’ was introduced and staff appointed based entirely on personal qualities. The importance of emotional pro- cesses was also reflected in the new appraisal and reward systems such that work was judged on the way in which it was performed as well as against harder targets. Managerial bonuses could be as much as 20 per cent of salary and were calculated on a straight 50:50 split between exhibiting desired

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| **The four factor menu of practices used in British Airways** | |
| The menu of practices | |
| FACTOR I: CLARITY AND HELPFULNESS  Establishing clear, specific objectives for subordinates  Helping subordinates to understand how their jobs contribute to the overall performance of the organisation  Clearly defining standards of excellence required for job performance  Providing help, training and guidance for subordinates  Giving subordinates a clear-cut decision when they need one | FACTOR II: PROMOTING ACHIEVEMENT  Emphasising and demonstrating commitment to achieving goals  Giving subordinates feedback on how they are doing  Communicating your views to others honestly and directly about their performance  Recognising people more often than criticising them  Recognising subordinates for innovation and calculated risk taking |
| FACTOR III: INFLUENCING THROUGH PERSONAL EXCELLENCE AND TEAMWORKING  Knowing and being able to explain to others the mission of the organisation and how it relates to their jobs  Communicating high personal standards informally through appearance and dedication  Noticing and showing appreciation for extra effort  Sharing power in the interest of achieving overall organisation objectives  Willing to make tough decisions in implementing corporate strategy | FACTOR IV: CARE AND TRUST  Behaving in a way that leads others to trust you  Building warm, friendly relationships  Paying close attention to what people are saying  Responding non-defensively when others disagree with your views  Making sure that there is a frank and open exchange at work group meetings |

behaviours and achieving quantitative goals. *Awards for Excellence* and an *Employee Brain- waves* programme encouraged staff input. The Personnel Department was renamed ‘Human Resources’ with many decisions devolved to line managers and, in the first few years of the programme at least, a commitment was made to job security.

Closely following these developments, a *Managing People First* programme targeted managerial employees and aimed to bring their behaviours into line with a list developed by two consultancy firms. As on PPF, the emphasis on this five-day course was on quasi-group therapy and experiential exercises. Outward bound courses were also intended to support the re-shaping of personality and the small groups formed on these residential programmes were expected to act as mutual support vehicles once back in the workplace.

Other courses were developed to maintain the momentum created by *Putting People First* and *Managing People First*. These included *Winning for Customers*, *A Day in the Life*, *To Be the Best*, *Leading in a Service Business* and *Leadership 2000* and, while each was different, they all shared a focus on shaping staff emotional attitudes to work. The most dramatic form of this was probably the ‘love bath’ exercise in one of the early courses in which delegates took it in turns to sit in the centre of a circle while their colleagues complimented them (see for an account of participants’ reactions to this process). Nearly twenty years after the launch of PPF, BA managers attending a training course were still being told about understanding themselves and taking responsibility:

“understanding self is our starting point .... That means that to make a change within the airline we need to start with you—what can you do differently.”

In 1995, Bob Ayling, newly taken over from Colin Marshall as chief executive, continued this active management of company culture and said of his staff:

“I want them to feel inspired, I want them to feel optimistic, I want them to feel that this is a good place to be.”

Such substantive change certainly seems to justify the plaudits heaped on it. But this kind of fairy tale suffers from a number of flaws. Most significantly, as Anthony notes, together with other prescriptive presentations of culture change, it neglects structure. Yet the existence of cultural factors does not negate the effects of more material ones and there were certainly structural reasons for BA’s success. Colin Marshall’s emphasis on putting people first and caring for one another had been preceded by a rule of fear. BA’s first response to its problems had been a massive series of redundancies, the largest in British history at the time, with staff numbers reduced by 40 per cent between 1981 and 1983 (albeit with generous severance). Senior staff were not exempt from this process, with 161 being ‘removed’ overnight on one memorable occasion in 1983.

More fundamentally, the company was well provided with slots in Britain’s prestigious Heathrow airport and faced little competition on many of the routes that it served. European markets were still tightly regulated and market share often depended on negotiation skills rather than competitive success. In 1987 just before privatisation, BA controlled some 60 per cent of the UK domestic market and only experienced competition on 9 per cent of its routes into and out of the UK. Post privatisation its position was actually strengthened when it gained a 75 per cent share of domestic routes. Such was BA’s dominance during this period that it could almost charge what it liked. Moreover, BA built up a series of alliances and mergers to consolidate this position.

While staff numbers were being drastically cut the infrastructure was dramatically improved. The fact that new uniforms were provided is well covered in the human resource and marketing literature. Less commonly noted is that BA invested in control systems, terminal facilities and aircraft: between 1980 and 1985 BA replaced over half its fleet. Computer reservations were introduced, a series of hub and spoke routes through first Heathrow and then Gatwick networked flights, and selectively focused competitive pricing served to limit what little competition the airline faced. Nor was this the only strategy deployed against competitors. In 1993 BA used shared booking information to persuade Virgin customers to transfer to BA, informing them (incorrectly) that Virgin flights were no longer available. The subsequent court case cost BA £610,000 in dam- ages and £3 million in costs, and raised questions about the extent of knowledge and involvement of the chairman (Lord King), the chief executive (Sir Colin Marshall) and Bob Ayling, the head of marketing, as well as criticising the impact of the BA culture itself.

Not only can much of the BA turnaround be attributed to structural factors, but also the extent of the company’s cultural transformation itself is open to question. There is little doubt that, in theory, cultural change interventions are both manipulative and totalitarian, seeking as they do influence and control over the thoughts, values, attitudes and norms of others. Yet such hegemony is easier to describe than it is to secure. Employees are not cultural dupes. Co-operation may reflect ambition or pride in work as much as (or instead of) a belief in the organisation itself. And Hopfl’s account of British Airways managers in the ‘new’ culture reveals hostility and uncertainty as well as enthusiasm. Further, despite the claims of the prescriptive literature, the existence of ‘culture management’ does not ensure either that employees trust management, or that management trusts employees. So, in BA, ‘new’ management practices varied in the extent to which they were introduced in departments, and conflict between employees and management did not cease. Even at the point at which the company’s unified culture was being heralded as a success at least one bargaining group a year ended up in dispute with it.

Nor was the much vaunted job security quite as robust as it seemed. Alliances, mergers and franchising agreements with other airlines already supported what was, in effect a ‘tiered’ system of terms and conditions with employees based at Heathrow privileged over those in the regional airports. This emphasis on part-time, seasonal and sub-contracted work was extended to most aspects of BA’s operations. Its engine overhaul plant was sold off to GEC, data processing work was moved to Bombay, and job security for existing staff questioned. And all this at a time when BA was making record profits.

In short, BA, while putting a great deal of effort into encouraging certain behaviours from staff, did not base its employment policies and practices around the new culture in the way that many accounts suggest. Their array of human resource management techniques was certainly impressive but not everyone benefited from them and those employed in partner associate, merged or taken-over firms often experienced very different terms and connections to the core BA staff. Staff reactions to “culture change” included enthusiasm and acceptance but also doubt, concern, opposition and open cynicism. Such individual reactions were mirrored by the collective representation and the persistence of disputes even at the height of the “cultural success”.

*The 1997 dispute: change or continuity?*

By the end of the 1990s many of the structural factors that had provided the basis for the company’s success were under threat. The newly-emerged low cost carriers such as Easyjet and Ryanair were undercutting BA’s prices and, elsewhere, alliances between rivals Lufthansa and United Airlines ensured that cross national traffic would be less likely to transfer to BA. The company’s hold on Heathrow was also loosening under double pressure from Europe and the USA. In response, Ayling claimed BA needed a second revolution. BA sought its own alliance with American Airlines, which came under the (unhurried) scrutiny of regulators in both Brussels and the USA, as well as proposing £1 billion of cost savings from within the organisation, with the aim of doubling profits by the year 2000. Much of this was to come from staff savings including 5,000 voluntary redundancies with staff to be replaced by newly hired employees on lower pay. In addition, BA established links with a charter airline called Flying Colours intending to continue its policy of outsourcing to other operators.

This policy of reducing labour costs was also extended to ‘core’ BA staff. In early 1997, BA attempted to change the structure of payments to cabin crew. It was proposed that the existing employees would be ‘bought out’ of their series of allowances (petrol, overnight stay etc.) by receiving a higher basic wage. BA offered a three-year guarantee that no crew member would earn less under the new system but nothing beyond that and it was clear to cabin crew staff that the measure was launched with the explicit aim of saving money. When these negotiations failed, one union, the TGWU, threatened strike action (Cabin Crew 89, a small breakaway union, had already accepted management’s offer). Despite fourteen years of ‘indoctrination’ into caring for one another and putting people first, the tactics deployed by BA’s management were described by two such different sources as the TUC and *The Economist* as bullying. Members of the cabin crew were warned not to strike and BA managers were instructed to tell discontented staff that anyone taking industrial action would be summarily sacked, then sued for damages. Any who simply stayed away would face disciplinary action, be denied pro- motion, and lose both pension rights and staff discounts on flights for three years. BA was also reported to be filming pickets.

The subsequent strike ballot had an 80 per cent turnout with 73 per cent of employees voting in favour of strike action. The TGWU called a series of 72-hour strikes with the first action scheduled for 9 July 1997. In response, temporary staff and an alternative workforce of ‘volunteer managers’ were given a (probably inadequate) training to perform the key tasks of the ground handling staff and BA threatened to take legal action over claimed discrepancies in the ballot. On the eve of the first day of action airline cabin crew were telephoned at home and warned that ‘they had a duty to co-operate with their employer’.

These managerial actions certainly influenced the impact of the strike. On the first scheduled day of action less than three hundred workers declared themselves officially on strike but more than 2,000 called in sick. The company’s threats and ‘replacement workers’ notwithstanding more than 70 per cent of flights from Heathrow were cancelled. It seemed that BA’s macho approach had ensured only that collective action took the form of collective illness.

Ironically this ‘mass sickie’ served to make things worse for BA. Not only did the pre-strike ballots (conducted to comply with legislation designed to discourage union activities) com- pound the effects of the strike by providing customers with advance notice of it; but also those employees who had called in sick tended to stay away longer than the official 72-hour strike. BA insisted that sick employees provide a doctor’s note within 48 hours instead of the normal seven days but many employees still stayed off for the full two weeks that their sick notes allowed and, throughout this period, services were cancelled and passengers turned away. The strike was costly. Airline seats are a particularly perishable form of consumer good and aircraft scheduling is easily disrupted. When Bill Morris, the General Secretary of the TGWU announced that he had written to Bob Ayling, suggesting that they resume negotiations, Ayling agreed before even receiving the letter.

The TGWU promised to save £42 million over three years. Catering was sold off but existing staff kept earnings and BA staff discounts, while sanctions against strikers were withdrawn and the TGWU increased its membership by 50 per cent to over 10,000. BA’s management fared less well, despite Bob Ayling’s claim that this agreement marked a ‘new beginning and spirit of a co-operation’. The gulf between the managerial rhetoric on culture and official actions during the strike had a predictable effect on employee morale. One undercover employee publication, aptly named *Chaos* advised on ways of maximising payments by delaying aircraft. These included throwing duvet feathers into the engine, superglueing down the toilet seat and poisoning the pilot: “a particularly obnoxious captain can be made to suffer all the symptoms of violent food poisoning by emptying eye drops from the aircraft medical kit into his salad or drink”.

Moreover, the agreement itself fostered further dissent. 4,000 staff left by the end of 1997 but 4,500 more were recruited including 2,000 in 1998. By the terms of the agreement, these new staff were employed on different contracts to existing employees. As a result, cabin crew working the same shifts on the same aircraft were (increasingly) on different pay scales. The impact of this on both labour relations and BA’s much prized team-working was problematic and problems were fuelled by suggestions that BA favoured employees on new contracts for promotion to purser (first line manager). Bob Ayling attempted to salvage the situation by placing more emphasis on managing the company’s culture. Following Colin Marshall he addressed staff training sessions and held question and answer forums with groups of employees. This time there were few positive reactions. The strike cost BA £125 million; morale never entirely recovered and profits suffered. Between 1998 and 1999 they fell by 61 per cent and in 2000 British Air- ways announced losses of £244 million on its main business. While gains from disposals succeeded in keeping the company out of the red this was its worst performance (and first loss) since privatisation. The new logo Bob Ayling had launched (at great expense) during the 1997 dispute was unpopular and had to be withdrawn. These failures so coloured the public perception of the chief executive that even his attempts to refocus BA onto profitable routes and introduce a new seat for business class long haul passengers were not entirely welcomed. On 10 March 2000, Bob Ayling resigned as chief executive.