

# British Airways

## A Study in Culture Change

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By Alzira Salama

### Introduction

*"Today, increasingly, any airline can fly any route wherever they like. So, we came from a highly regulated, to a highly deregulated industry. That is why the need for change started..."*

In the early days of British Airways, civil aviation was very much regulated between different countries. The industry then started to move towards a more deregulated business. As stated by Bruce (1987):<sup>1</sup>

*"Complexity, turbulence and geographical distance are critical features of the operating environment for BA today. At the same time, deregulation, with fierce competition for markets, is breaking up the comfortable cartel of earlier years." (pp 21-26)*

As a consequence of market deregulation, British Airways is gradually facing international competition. Thus, there was a need for a change from a *technically biased* organisational culture, towards a *commercially or market oriented* culture.

*"The airline was inward looking. We were insulated, we did not recognise competition, it was an introverted culture which did not focus itself outside."*

Consequently, early in 1985, BA became financially non-viable as a business. At that time, the Government protected the company. The possibility of privatisation exposed the company's non-profitability.

### A Briefing on BA

British Airways is one of the world's largest international airlines. Its principal activities are the operation of international and domestic, scheduled and charter, air services for the carriage of passengers and cargo.

In August 1989, BA group employed 40,252 staff; of whom 29,000 were located in the London area, mainly at Heathrow airport, over 5,000 in other UK locations, and another 5,000 overseas.

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<sup>1</sup> Bruce M (1987) 'Managing People First; Bringing the Service Concept to BA', Industrial and Commercial Training, March/April pp. 21-26.

## History

British Airways can trace its origins back to the pioneering days of civil aviation after the First World War.

The world's first daily international scheduled air service commenced on the 25<sup>th</sup> August 1919, and was operated by Aircraft Transport and Travel Ltd, which was combined in 1924, with a number of other privately owned air transport companies, to form Imperial Airways Ltd. A number of smaller UK air transport companies merged in 1935, to form the original privately owned British Airways Ltd, which became Imperial Airways' principal UK competitor on its European routes.

Following a Government review, Imperial Airways and British Airways were nationalised in 1939, to form BOAC. In 1946, BEA was established as a separate statutory corporation, to take over and develop the European services of BOAC. BEA also developed a domestic network to various points in the United Kingdom.

From 1946, until 1960, there were two Government run airlines in the UK - BOAC (for long routes) and BEA (for Europe). In 1973, BOAC and BEA were merged to form British Airways (BA). The merger of BOAC and BEA had left the airline over-staffed, with duplicated tasks and a low sense of identity within the company.

*"This first cultural change was a significant exercise in itself...It was really painful for most of us."*

After that BA hadn't changed much, until 1984, when Colin Marshall, the new Chief Executive Officer, came and prepared the company for privatisation.

### Periods covered in this case study

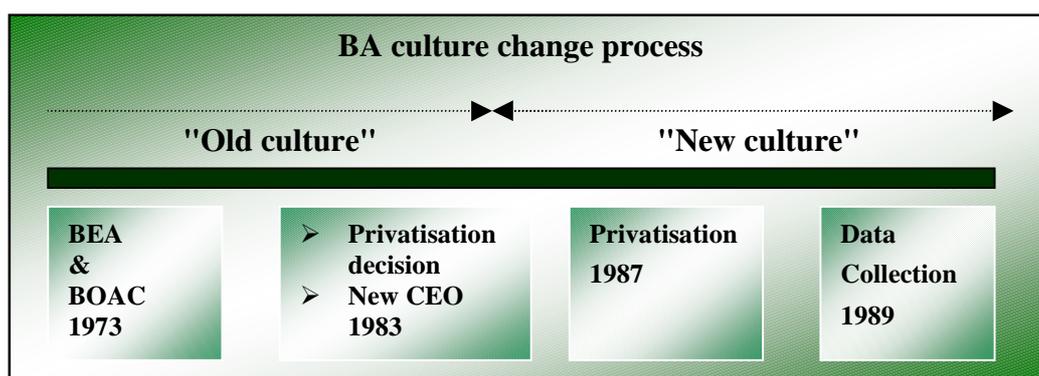


Fig. 1

This case describes the BA culture in two periods:

**1973 -1984: 'The old culture' & 1984 - 1989: 'The new culture'.**

The major process of planned change started in 1984. This date coincides with the privatisation decision (April 1984), and with the appointment of the CEO. BA was privatised in 1987.

## **The historical period: 1973 - 1984**

### **The old mission**

In the past British Airways' mission was to be *an efficient airline operating company*. The chief aim of the organisation was to keep the aircraft flying in a safe way.

*"We couldn't get away from the fact that we were running an operation. The operation was everything. The customers were just an unfortunate add-on."*

### **Old culture**

BA's new CEO understood the need to clarify the organisations past and the appropriate values for the future. He diagnosed the situation as follows:

*"BA was an organisation that did not really understand the word 'profit', that was very fearful of moving into the private sector...It was also obvious to me that the organisation was extremely introverted, had really no grasp of what the market place wanted, what the customer wanted."*

The idea is reinforced by a Senior Customers manager:

*"Before 1983, we were quite 'arrogant', we tended to know what was best for our customers. It was one of our beliefs that the customer didn't know what was best for themselves." (The manager laughs as if disagreeing with this past belief)*

BA was designed around the armed forces. The people who originally ran the company moved from a military to a civil airline. It was a military type culture:

*"We used to have, until recently, a management dining room – 'The management mess' - and the canteen for the other employees..."*

It was a formal work environment:

*"People in the past were called by their titles not by their names. The job titles would come first in any list of people."*

Managers were also respected for their position and status within the organisation.

### **The historical management style: *Inflexible, formal/bureaucratic, and authoritarian.***

The managerial behaviour expected in the past was too rigid and inflexible, and the level of initiative required by managers was very low.

Managers were expected to behave with a minimum of freedom, as "the rules of the game" were well written in manuals. It was considered a bureaucratic and formal work environment;

*"We were, in the past, a bureaucratic organisation and highly hierarchical. There was a very strong sense of what was right or wrong, systems were very*

*stable. Things happened in a particular way, behaviour was always very predictable. We had a big operating manual to dictate our behaviour... We were a management team which really had their hands tied behind their backs."*

BA had a highly hierarchical, organisational structure. BA employees did not have the opportunity to express their own views regarding work practices or any other issues.

*"Communication was poor, and the lack of co-operation among areas was seen as a constraint on progress. In the old style of BA, each department was a fortress, and spent a lot of time battling against the other departments. Managers were not very visible to the staff. They never went out and talked to them."*

There was a "gulf between managers and the staff" in terms of communication.

### **The historical decision-making.**

There was a traditional hierarchical approach to problem solving in the airline, in which the 'task' was handed down to A to B to C (Bruce 1987). Therefore, decisions were made in isolation without involving other areas affected by the issue to be decided.

The historical management style in BA was "too formal", which coincides with the former CEO's values:

*"Our former CEO and Chairman were different people if we compare them with the current ones. They were very distant from the staff. We, then, had different models to follow."*

Another important trait of the historical management style, was the authoritarian and non-participatory style of management, which once again coincides with past leaders' values.

*"The old managers preferred to tell people what to do, instead of involving them in decisions. They also thought that it was a matter of status being far from the staff."*

*"Prior to privatisation, management style in the engineering department was very aggressive, dictatorial, autocratic and domineering."*

### **The historical managerial career systems: Recruitment, selection, training and development, appraisal and rewards.**

In the past, people were selected or promoted just to fill a position at that moment, not as part of a future vision, or a career perspective. They were promoted because of their technical experience.

*"In the old days, people were promoted when it was "their turn", when they*

*had been with the company for a certain number of years. It was common to hear this comment; "I will be promoted in two years time because it will be my turn."*

Another criteria used for selecting and promoting managers was a reflection of the political environment; "Who knows who", "Who is a friend of who".

Training activities were focused on developing skills for a specific task:

- How to answer the phone
- How to conduct an interview

It was a very introvert organisation, showing low or no interest in acquiring new technology.

*"We were very parochial. We didn't care about what was happening in other companies, in other industries, or in other departments."*

Managers' knowledge was limited to their own particular areas. The more senior, the better they became in their own particular areas.

*"For example, someone reaching the age of 40 who has never experienced Finance, Marketing, Production, People Management and so on, had a limited career. There are a large number of managers at that age with very narrow experience within the company."*

Appraisal and rewards systems in the past were unrelated to performance. Their goals were unclear for all managers:

*"Nobody would be given objectives or even feedback about how they were performing. The reward system was just by length of service. I have worked in this company since 1970, and rarely would anyone talk to me about my performance. Given goals.....Never! We were always in the dark; you would ask yourself what was expected from you. When someone said "We do not like what you are doing" it came as a big shock... We thought we were humane. But we would have been more humane if we had given the chance for a person to change."*

*"The appraisal was considered political and subjective. There was no formal appraisal system. Departments used to have their own appraisal. Some departments never had appraisals. It was a localised decision, different parts of the airline used different methods to appraise their people."*

This type of reward was unsatisfactory.

*"What motivation could you have, when you worked your fingers to the bone and the person in the next office just sat there, read the paper, drank coffee, and you both had the same kinds of reward?"*

## **The prevailing period**

### **The new mission**

BA's core mission had changed its focus, from the operation to the customer.

*"Flying the aeroplane is now a part of getting the business to work, not the thing that everybody needs to have experience in, or to be a professional."*

*"Customers are everything now, and the operation is subsidiary to the customers. There is a great emphasis on the primary purpose of the business; getting people to travel, to be pleased with their experience, and to come back several times."*

### **New culture**

When Lord King became Chairman of BA in February 1981, he started to stress competition as a new value to be introduced in the organisational culture.

*"My endeavours will be concentrated on doing all I can, to see that British Airways has all the resources it requires to maintain and improve its standing, as one of the greatest carriers in the world." (quoted from Young 1989)*

*"We aim to be the best and the most successful company in the fields of travel, tourism and transport."*

Furthermore the front page of a BA newsletter in 1989 quotes Lord King's statement:

*"Once again we achieved record profits...We are in the forefront of the worlds most profitable airlines, we are aware of the need for constant attention to costs."*

Internal training programmes, such as "to be the best", also communicated the intention of BA to become more competitive.

Although different managers described the new culture in different ways, they all agreed that the historical values have been gradually and slowly changing. Both the managers who have worked for BA for 20 years, and the newcomers, share this view. To quote a newcomer who had worked for BA for 3 years:

*"The company is no doubt changing, slowly changing for the better. I see the organisation as having type A (businessman) and type B (non-businessman) people. Type A is increasing in number but on a very slow basis. Type B are passengers or workers, never managers, they are not thinking about the business at all, they are thinking about their own area, but not the business as a whole."*

As a consequence of this new mission, a customer service department was created. Emphasis was placed on marketing activities, and the quality of passenger handling was then highly valued compared with before.

*"Customer surveys are more respected."*

### **New managerial style**

Management style seems to be moving towards different directions in each area. Some areas, such as sales and marketing, are considered "more open" and participatory than others, such as engineering.

*"We engineers were trained to be narrow minded."*

In contrast to a sales manager's account:

*"Today, the management style is much more based on teamwork. It is not so important the position you are in, but the power of your argument."*

An overall change.

Managers in a general way, feel freer to manage their own areas, than they did before. Personal accountability seems to be more important than bureaucracy.

*"We are exposing our abilities as managers... We had to put away the great operating manuals. Today we say to our staff, "Do not just complain about this, do something yourself, you know more than the manuals..."*

Informality among peers is gradually emerging in all areas of BA:

*"Now there is more openness, more involvement. The staff are more ready to come up with more ideas."*

### **The prevailing decision making**

Contrasting with the old style when decisions were made in isolation within each department, it has become essential to get a consensus among different areas before deciding anything relating to the business. Nevertheless, the transitional phase was leading the organisation to the other extreme in the decision making process:

*"If we were guilty in the past of not considering the implications of one decision in other areas, now we are guilty of taking too long to make decisions. Then, when we take it, it is with regard to everybody else but it is too late..."*

Differences of values and beliefs among departments - such as Marketing, Finance, Engineering etc. - represent a significant barrier to achieving a homogenous new managerial style in the organisation as a whole. Parts of the company, which were exposed to customers, had to change very quickly. Other parts of the airline have hardly changed at all. Hence, there

is a wide gap between departments. This gap seems to be a constraint in the process of communication among areas, making the decision-making process harder, ultimately affecting business achievements.

### **The prevailing managerial careers systems**

In the past, managerial careers were made from opportunities arising. Today, it is about matching people and jobs. Therefore, a career-planning programme especially designed for high fliers has been implemented.

The existing managerial selection, promotion, development and appraisal in British Airways has been restructured since 1984, when the old CEO launched a campaign to change BA culture. The aim was to replace some of the "old values" with "new ones". In its effort to change its image, the human resource department replaced the personnel department. Some managers considered that changing these titles was just a "cosmetic" action, as the role of the department remained the same as in the past, to *control people*.

Job security is no longer an accepted value in BA. Staff and overheads were cut down radically in the early 1980's. The number of people was reduced by 30%, from 50,000 to 35,000 employees. High instability among the top management occurred as a consequence of the new Human Resource Philosophy.

Eighty senior managers were asked to take early retirement. The company invested significantly in trying to change key managers and directors, looking for younger people to influence changes in working practices. A few managers, however, saw this strategy to change culture from a different angle - they did not agree with the idea of "replacing a massive number of managers." Instead, they considered that "managerial targets and outputs" must be changed. In other words, managers should be given a different framework. These managers believe that almost everyone can change their behaviour if given a chance. They also considered that by dismissing people, the company was losing important managers. As said by a Customer Services Manager:

*"We are losing people who have a lot of knowledge about our business and it is crucial."*

### **Prevailing training and development**

Training Development in BA aimed to be the leader in helping the organisation to build a new corporate culture. Hence, the CEO decided to invest intensively in training the Customer Service Group. He focused primarily on the staff who deal directly with customers. Less than two months after taking charge he said:

*"We may need to put people through refresher courses, to really concentrate on teaching staff how to sell the airline and its services."*

(quoted from Bruce 1988)

The immediate result was a series of seminars called "Putting People First" (PPF) which were first held in November 1983. The key message was:

*"If you feel OK about yourself, you are more likely to feel OK about dealing with others."*

Over two days the participants were treated to a mixture of presentations, exercises and group discussions.

*"Staff were invited to review their personal experience of dealing with people in a broad way (at home, at work etc.) They were introduced to concepts of setting personal goals, and of taking responsibility for getting what they wanted out of life. There were confidence-building exercises, and an analysis of the power of expectation. The giving and receiving of attention was an important area of analysis...Simple techniques of behavioural modification were also taught to help staff develop new approaches to dealing with upsets, coping with stress and developing a more positive attitude to themselves and others." (Bruce, 1988)<sup>2</sup>*

These initiatives were aimed at junior staff level, but there was an increasing recognition that a change in management style was needed.

*"If they want staff to treat passengers as individuals, thus showing care and concern for passenger problems, then they have to do this to staff."*

(Bruce 1987)

There was an underlying dilemma; Managers were asked to care for their people, but they did not feel that they were cared for at a personal level themselves.

Therefore, another course was designed as an attempt to fill this aforementioned gap. Under the Human Resource Director, Dr Nick Georgettes (Appointed CEO in September 1984), a one week seminar was developed, specifically for the 1,400 BA Managers, entitled "Managing People First" (MPF).

Its specific aim was to implement the philosophy of "emotional labour" - by changing the historical impersonal culture into a culture which reinforced "the business of caring and trust". This type of approach was radically different from the "cold, but fair" personnel philosophy of the past.

Although MPF had apparently the support of the CEO (as he attended 80% of the meetings), not all senior line managers were involved in its implementation. Besides, it also appears that the board of directors did not support this initiative. It seems that the HR department was responsible for the programme and, as a consequence, was perceived as imposing a strategy to change management style.

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<sup>2</sup> Bruce M & Moul, G (1988) "Moving into the Mainstream", Management Education and Development, Volume 19, No. 3, pp. 87-100.

MPF was perceived by managers as disassociated from the changes occurring in other areas of the organisation. For example, MPF was emphasising "trust" as an important new corporate value. However, as the philosophy of job security had been abolished, the issue of "trust" became unclear for managers.

*"People can now lose jobs if something goes wrong... We don't have security any more. Perhaps we are here only for today. Trust is based on security. "*

There are "contradictions" in the messages managers are receiving during this transitional phase of the organisation; the message of MPF was that it was important to have a "warm" organisation. However, in prevailing culture, managers interviewed felt the workplace environment was "warmer" before this process of cultural change. This contradictory situation might reflect a "clash" in values between different layers in the organisation.

*"Some people saw an inherent conflict between the values being promulgated by MPF and the reality of the management style in the workplace. They concluded that there is something more important than training to change managerial behaviour; top managers have to "model" the behaviour they want from staff."* (Bruce 1988)

Managerial behaviour change implies first a modification in the "role models". This is reinforced by another manager's account:

*"There is not a lot of point in taking water out of a muddy pool and purifying it, if all you are going to do is pour it back in the pool."*

Another initiative, coming from Human Resource Department, is providing managers with MBA courses. Additionally, managers are moved around the organisation in order to be exposed to different areas, and therefore, to widen their knowledge of the organisation.

Some of the training needs were identified in the process of change:

*"The problem is, of course, to be a successful businessman, you have to have some numerical ability. There are few people with this knowledge in the organisation. Everybody is interested in talking, meetings, putting their views on how the culture should change. People need to be trained to read the numbers properly. The information comes from the databases, and the people do not know how to interpret them, how to analyse the data, in order to be able to highlight what is most important to be focused on."*

IT area has significantly changed its approach:

*"We are now more open to developing ourselves. For example we are having a series of seminars on Information Technology which helps us to not only talk with managers from other areas, but also to discover what other companies and industries are doing regarding specific issues in Information Technology."*

## **Prevailing managerial selection, appraisal, rewards**

Although many managers are trying to select new people using the new criteria ("management skills"), some of them still prefer doing it in an old fashioned way, promoting and selecting people who are good technicians. The following two quotations emphasise the conflict between old and new values in the selection and promotion process:

*"It is a disaster, because if we choose a technician to be a manager, he dies like a plant if you don't water it."*

*"Managers are still being promoted under the old criteria. They are not coping well in this change process. They ignore the signals around them, they keep doing what they did in the past."*

Although BA pay "lip service" to the concept of looking for a cultural fit, they are still struggling to find the right people for jobs, as seen by Human Resource staff.

*"I am disappointed by how much recruitment has been biased by "people knowing people". The old boy network to a certain degree still works very strongly. It is probably because we do not have faith in any other systems to identify potential at the moment. I do not think, consequently, that we are getting appropriate people for jobs. Many good people do not get the chance of jobs. They should get a chance. But just because they are unknown...more attention should be given to this issue in order to avoid the usual mistakes we make."*

In marketing areas, the *criteria for choosing managers* had changed from technical to management skills and abilities. They were looking for people who were able to implement changes and have the flexibility to work in different areas.

*"We select people based on their personalities, managerial abilities, rather than their experience - because the world is changing so fast for us, experience is not necessarily an advantage. You would have been in companies where they use mindsets, which are no longer relevant. Experience is only valuable to help you to do things in the future. If the future is very different from the past, then the experience is not valid at all. We prefer people with less experience than those carrying a 'big bag'."*

Although BA has introduced, as corporate initiative, a very sophisticated method for management appraisal, it has not worked as expected - each department appraises its people in a different way.

**Performance related payment** was introduced. Some areas however, still reward managers according to the old values.

*"For example, they are still rewarding people based on their technical knowledge, instead of how they manage people."*

## **THE metaphor of BA culture as a personality**

### **The "old" BA personality**

*"An ageing colonel, cold, introverted. I can see a picture of an old colonel sitting in his chair with his stick and not moving."*

*"Very pudding like, very stuck in the mud, perhaps lethargic, apathetic in terms of how it was seen by the outside world."*

*"Very slow, looking at details, conservative, not imaginative, never looking for new procedures, never asking staff for new work methods."*

*"Completely formal, boring...it was stuffy, it was slow, like a bear, moving about slowly, ponderously, it was impersonal, there were a lot of rituals and things that you could not do. Much more awareness of status in the organisation."*

### **The "new" BA personality**

*"We are inconsistent. We cannot go to one part of the organisation and know the whole. It all depends on where you are. It is still quite formal. There is a formality and informality. It is structured and not structured. It is everything; old fashioned and modern. Again, it depends on where you are in the company."*

For IT and Sales Managers, BA's personality is much more dynamic than it was before:

*"Fast moving...flexible...a sparkling personality, high profile, energetic."*

*"A person who welcomes challenges. Looking for new opportunities...this new person has a more positive approach to the working environment we are in today. Yesterday we were very negative."*

*"Relatively very fast moving (not enough for the real world), more business oriented than before."*

Managers from more technical areas do not feel that BA's personality has changed as was expected. One manager reported that the only noticeable change was:

*"We used to call people by surnames. Today we use their first names in all our internal documents. That is all I can tell you about changes in BA's personality."*