



Changing the Culture at British Airways

I remember going to parties in the late 1970s, and if you wanted to have a civilized conversation, you didn't actually say that you worked for British Airways, because it got you talking about people's last travel experience, which was usually an unpleasant one. It's staggering how much the airline's image has changed since then, and, in comparison, how proud staff are of working for BA today.

-British Airways employee,
spring 1990

I recently flew business class on British Airways for the first time in about 10 years. What has happened over that time is amazing. I can't tell you how my memory of British Airways as a company and the experience I had 10 years ago contrasts with today. The improvement in service is truly remarkable.

-British Airways customer,
fall 1989

In June 1990, British Airways (BA) reported its third consecutive year of record profits, £345 million before taxes, firmly establishing the rejuvenated carrier as one of the world's most profitable airlines. The impressive financial results were one indication that BA had convincingly shed its historic "bloody awful" image. In October 1989, one respected American publication referred to it as "bloody awesome,"¹ a description most would not have thought possible after pretax losses totalling more than £240 million in 1981 and 1982. Productivity had risen more than 67% during the 1980s.²

Research Associate James Leahey prepared this case under the supervision of Professor John P. Kotter as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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1. *Business Week*, "From 'Bloody Awful' to Bloody Awesome," October 9, 1989, p. 97.

2. As measured by available ton-kilometers per employee, or the payload capacity of BA's aircraft multiplied by kms flown, the industry standard for productivity. BA's ATKs per employee were 145,000 in 1980 and 243,000 in 1989.

Passengers reacted very favorably to the changes. After suffering through years of poor market perception during the 1970s and before, BA garnered four "Airline of the Year" awards during the 1980s, as voted by the readers of *First Executive Travel*. In 1990 the leading American aviation magazine, *Air Transport World*, selected BA as the winner of its Passenger Service Award. In the span of a decade, British Airways had radically improved its financial strength, convinced its work force of the paramount importance of customer service, and dramatically improved its perception in the market. Culminating in the privatization of 1987, the carrier had undergone fundamental change through a series of important messages and events. With unprecedented success under its belt, management faced an increasingly perplexing problem: how to maintain momentum and recapture the focus that would allow them to meet new challenges.

Crisis of 1981

Record profits must have seemed distant in 1981. On September 10 of that year, then chief executive Roy Watts issued a special bulletin to British Airways staff:

British Airways is facing the worst crisis in its history. . . unless we take swift and remedial action we are heading for a loss of at least £100 million in the present financial year. We face the prospect that by next April we shall have piled up losses of close to £250 million in two years. Even as I write to you, our money is draining at the rate of nearly £200 a minute.

No business can survive losses on this scale. Unless we take decisive action now, there is a real possibility that British Airways will go out of business for lack of money. We have to cut our costs sharply, and we have to cut them fast. We have no more choice, and no more time. . . .³

Just two years earlier, an optimistic British government had announced its plan to privatize British Airways through a sale of shares to the investing public. Although airline management recognized that its staff of 58,000 was too large, they expected increased passenger volumes and improved staff productivity to help them avoid complicated and costly employee reductions. While the 1978-1979 plan forecasted passenger traffic growth at 8% to 10%, an unexpected recession left BA struggling to survive on volumes that instead decreased by more than 4%. A diverse and aging fleet, increased fuel costs, and the high staffing costs forced the government and BA to put privatization on hold indefinitely. With the airline technically bankrupt, BA management and the government would have to wait before the public would be ready to embrace the ailing airline.

The BA Culture, 1960-1980

British Airways stumbled into its 1979 state of inefficiency in large part because of its history and culture. In August 1971, the Civil Aviation Act became law, setting the stage for the British Airways Board to assume control of two state-run airlines, British European Airways (BEA) and British Overseas Airways Corporation (BOAC), under the name British Airways. In theory, the board was to control policy over British Airways, but in practice, BEA and BOAC remained autonomous, each with its own chairman, board, and chief executive. In 1974, BOAC and BEA finally issued one consolidated financial report. In 1976, Sir Frank (later Lord) McFadzean replaced

3. Alison Corke, *British Airways: Path to Profitability* (London: Pan Books Ltd., 1986) p. 82.

the group division with a structure based on functional divisions to officially integrate the divisions into one airline. Still, a distinct split within British Airways persisted throughout the 1970s and into the mid-1980s.

After World War II, BEA helped pioneer European civil aviation. As a pioneer, it concerned itself more with building an airline infrastructure than it did with profit. As a 20-year veteran and company director noted, "The BEA culture was very much driven by building something that did not exist. They had built that in 15 years, up until 1960. Almost single-handedly they opened up air transport in Europe after the war. That had been about getting the thing established. The marketplace was taking care of itself. They wanted to get the network to work, to get stations opened up."

BOAC had also done its share of pioneering, making history on May 2, 1952 by sending its first jet airliner on a trip from London to Johannesburg, officially initiating jet passenger service. Such innovation was not without cost, however, and BOAC found itself mired in financial woes throughout the two decades following the war. As Chairman Sir Matthew Slattery explained in 1962, "The Corporation has had to pay a heavy price for pioneering advanced technologies. . . ."⁴

For most who were involved with BEA and BOAC in the 1950s and 1960s, success had less to do with net income and more to do with "flying the British flag." Having inherited numerous war veterans, both airlines had been injected with a military mentality. These values combined with the years BEA and BOAC existed as government agencies to shape the way British Airways would view profit through the 1970s. As former Director of Human Resources Nick Georgiades said of the military and civil service history, "Put those two together and you had an organization that believed its job was simply to get an aircraft into the air on time and to get it down on time."⁵

While government support reinforced the operational culture, a deceiving string of profitable years in the 1970s made it even easier for British Airways to neglect its increasing inefficiencies. Between 1972 and 1980, BA earned a profit before interest and tax in each year except for one. "This was significant, not least because as long as the airline was returning profits, it was not easy to persuade the work force, or the management for that matter, that fundamental changes were vital."⁶ Minimizing cost to the state became the standard by which BA measured itself. As one senior manager noted, "Productivity was not an issue. People were operating effectively, not necessarily efficiently. There were a lot of people doing other people's jobs, and there were a lot of people checking on people doing other people's jobs. . . ." As a civil service agency, the airline was allowed to become inefficient because the thinking in state-run operations was, "If you're providing service at no cost to the taxpayer, then you're doing quite well."

A lack of economies of scale and strong residual loyalties upon the merger further complicated the historical disregard for efficiency by BEA and BOAC. Until Sir Frank McFadzean's reorganization in 1976, British Airways had labored under several separate organizations (BOAC; BEA European, Regional, Scottish, and Channel) so that the desired benefits of consolidation had been squandered. Despite operating under the same banner, the organization consisted more or less of separate airlines, carrying the associated costs of such a structure. Even after the reorganization, divisional loyalties prevented the carrier from attaining

4. Corke, p. 39.

5. Corke, p. 116.

6. Company document, p. 2

a common focus. "The 1974 amalgamation of BOAC with the domestic and European divisions of BEA had produced a hybrid racked with management demarcation squabbles. The competitive advantages sought through the merger had been hopelessly defeated by the lack of a unifying corporate culture."⁷ A BA director summed up how distracting the merger proved: "There wasn't enough management time devoted to managing the changing environment because it was all focused inwardly on resolving industrial relations problems, on resolving organizational conflicts. How do you bring these very, very different cultures together?"

Productivity at BA in the 1970s was strikingly bad, especially in contrast to other leading foreign airlines. BA's productivity⁸ for the three years ending March 31, 1974, 1975, and 1976 had never exceeded 59% of that of the average of the other eight foreign airline leaders. Service suffered as well. One human resources senior manager recalled the "awful" service during her early years in passenger services: "I remember 10 years ago standing at the gate handing out boxes of food to people as they got on the aircraft. That's how we dealt with service." With increasing competition and rising costs of labor in Britain in the late 1970s, the lack of productivity and poor service was becoming increasingly harmful. By the summer of 1979, the number of employees had climbed to a peak of 58,000. The problems became dangerous when Britain's worst recession in 50 years reduced passenger numbers and raised fuel costs substantially.

Lord King Takes the Reins

Sir John (later Lord) King was appointed chairman in February 1981, just a half-year before Roy Watts' unambiguously grim assessment of BA's financial state. King brought to British Airways a successful history of business ventures and strong ties to both the government and business communities. Despite having no formal engineering qualifications, King formed Ferrybridge Industries in 1945, a company that found an unexploited niche in the ball-bearing industry. Later renamed the Pollard Ball and Roller Bearing Co. Ltd., King's company was highly successful until he sold it in 1969. In 1970 he joined Babcock International, and as chairman led them through a successful restructuring during the 1970s. King's connections were legendary. Handpicked by Margaret Thatcher to run BA, King's close friends included Lord Hanson of Hanson Trust and the Princess of Wales' family. He also knew personally Presidents Reagan and Carter. King's respect and connections proved helpful both in recruiting and in his dealings with the British government.

One director spoke of the significance of King's appointment. "British Airways needed a chairman who didn't need a job. We needed someone who could see that the only way to do this sort of thing was radically, and who would be aware enough of how you bring that about." In his first annual report, King predicted hard times for the troubled carrier. "I would have been comforted by the thought that the worst was behind us. There is no certainty that this is so." Upon Watts' announcement in September 1981, he and King launched their Survival plan, "tough, unpalatable and immediate measures" to stem the spiraling losses and save the airline from bankruptcy. The radical steps included reducing staff numbers from 52,000 to 43,000, a 20% decrease, in just nine months, freezing pay increases for a year, and closing 16 routes, eight on-line stations, and two engineering bases. It also dictated halting cargo-only services and selling the fleet, and inflicting massive cuts upon offices, administrative services, and staff clubs.

In June 1982, BA management appended the Survival plan to accommodate the reduction of another 7,000 staff, which would eventually bring the total employees down from about 42,000 to

7. Duncan Campbell-Smith, *The British Airways Story: Struggle for Take-Off* (Coronet, 1986), p. 10.

8. In terms of available ton-kilometers per employee, taken from annual reports.

nearly 35,000. BA accomplished its reductions through voluntary measures, offering such generous severance that they ended up with more volunteers than necessary. In total, the airline dished out some £150 million in severance pay. Between 1981 and 1983, BA reduced its staff by about a quarter.

About the time of the Survival plan revision, King brought in Gordon Dunlop, a Scottish accountant described by one journalist as "imaginative, dynamic, and extremely hardworking," euphemistically known on Fleet Street as "forceful," and considered by King as simply "outstanding."⁹ As CFO, Dunlop's contribution to the recovery years was significant. When the results for the year ending March 31, 1982 were announced in October, he and the board ensured 1982 would be a watershed year in BA's turnaround. Using creative financing, Dunlop wrote down £100m for redundancy costs, £208 million for the value of the fleet (which would ease depreciation in future years), even an additional £98m for the 7,000 redundancies that had yet to be effected. For the year, the loss before taxes amounted to £114 million. After taxes and extraordinary items, it totalled a staggering £545 million.

Even King might have admitted that the worst was behind them after such a report. The chairman immediately turned his attention to changing the airline's image and further building his turnaround team. On September 13, 1982, King relieved Foote, Cone & Belding of its 36-year-old advertising account with BA, replacing it with Saatchi & Saatchi. One of the biggest account changes in British history, it was King's way of making a clear statement that the BA direction had changed. In April 1983, British Airways launched its "Manhattan Landing" campaign. King and his staff sent BA management personal invitations to gather employees and tune in to the inaugural six-minute commercial. Overseas, each BA office was sent a copy of the commercial on videocassette, and many held cocktail parties to celebrate the new thrust. "Manhattan Landing" dramatically portrayed the whole island of Manhattan being lifted from North America and whirled over the Atlantic before awestruck witnesses in the United Kingdom. After the initial airing, a massive campaign was run with a 90-second version of the commercial. The ad marked the beginning of a broader campaign, "The World's Favourite Airline," reflecting BA's status as carrier of the most passengers internationally. With the financial picture finally brightening, BA raised its advertising budget for 1983-1984 to £31 million, compared with £19 million the previous year, signalling a clear commitment to changing the corporate image.

Colin Marshall Becomes Chief Executive

In the midst of the Saatchi & Saatchi launch, King recruited Mr. (later Sir) Colin Marshall, who proved to be perhaps the single most important person in the changes at British Airways. Appointed chief executive in February 1983, Marshall brought to the airline a unique resume. He began his career as a management trainee with Hertz in the United States. After working his way up the Hertz hierarchy in North America, Marshall accepted a job in 1964 to run rival Avis' operations in Europe. By 1976, the British-born businessman had risen to chief executive of Avis. In 1981, he returned to the United Kingdom as deputy chief executive and board member of Sears Holdings. Fulfilling one of his ultimate career ambitions, he took over as chief executive of British Airways in early 1983. Although having no direct experience in airline management, Marshall brought with him two tremendous advantages. First, he understood customer service, and second, he had worked with a set of customers quite similar to the airline travel segment during his car rental days.

9. Campbell-Smith, p. 46.

Marshall made customer service a personal crusade from the day he entered BA. One executive reported, "It was really Marshall focusing almost on nothing else. The one thing that had overriding attention the first three years he was here was customer service, customer service, customer service—nothing else. That was the only thing he was interested in, and it's not an exaggeration to say that was his exclusive focus." Another senior manager added, "He has certainly put an enabling culture in place to allow customer service to come out, where rather than people waiting to be told what to do to do things better, it's an environment where people feel they can actually come out with ideas, that they will be listened to, and feel they are much more a part of the success of the company." Not just a strong verbal communicator, Marshall became an active role model in the terminals, spending time with staff during morning and evenings. He combined these actions with a number of important events to drive home the customer service message.

Corporate Celebrations, 1983-1987

If Marshall was the most important player in emphasizing customer service, then the Putting People First (PPF) program was the most important event. BA introduced PPF to frontline staff in December 1983 and continued it through June 1984. Run by the Danish firm Time Manager International, each program cycle lasted two days and included 150 participants. The program was so warmly received that non-frontline employees eventually asked to be included, and a one-day "PPF II" program facilitated the participation of all BA employees through June 1985. Approximately 40,000 BA employees went through the PPF programs. The program urged participants to examine their interactions with other people, including family, friends, and, by association, customers. Its acceptance and impact was extraordinary, due primarily to the honesty of its message, the excellence of its delivery, and the strong support of management.

Employees agreed almost unanimously that the program's message was sincere and free from manipulation, due in some measure to the fact that BA separated itself from the program's design. The program emphasized positive relations with people in general, focusing in large part on non-work-related relationships. Implied in the positive relationship message was an emphasis on customer service, but the program was careful to aim for the benefit of employees as individuals first.

Employees expressed their pleasure on being treated with respect and relief that change was on the horizon. As one frontline ticket agent veteran said, "I found it fascinating, very, very enjoyable. I thought it was very good for British Airways. It made people aware. I don't think people give enough thought to people's reaction to each other. . . . It was hard hitting. It was made something really special. When you were there, you were treated extremely well. You were treated as a VIP, and people really enjoyed that. It was reverse roles, really, to the job we do." A senior manager spoke of the confidence it promoted in the changes: "It was quite a revelation, and I thought it was absolutely wonderful. I couldn't believe BA had finally woken and realized where its bread was buttered. There were a lot of cynics at the time, but for people like myself it was really great to suddenly realize you were working for an airline that had the guts to change, and that it's probably somewhere where you want to stay."

Although occasionally an employee felt uncomfortable with the "rah-rah" nature of the program, feeling it perhaps "too American," in general PPF managed to eliminate cynicism. The excellence in presentation helped signify a sincerity to the message. One senior manager expressed this consistency in saying, "There was a match between the message and the delivery. You can't get away with saying putting people first is important, if in the process of delivering that message you don't put people first." Employees were sent personal invitations, thousands were

flown in from around the world, and a strong effort was made to prepare tasteful meals and treat everyone with respect. Just as important, BA released every employee for the program, and expected every one to attend. Grade differences became irrelevant during PPF, as managers and staff members were treated equally and interacted freely. Moreover, a senior director came to conclude every single PPF session with a question and answer session. Colin Marshall himself frequently attended these closing sessions, answering employee concerns in a manner most felt to be extraordinarily frank. The commitment shown by management helped BA avoid the fate suffered by British Rail in their subsequent attempt at a similar program. The British Rail program suffered a limited budget, a lack of commitment by management and interest by staff, and a high degree of cynicism. Reports surfaced that employees felt the program was a public relations exercise for the outside world, rather than a learning experience for staff.

About the time PPF concluded in 1985, BA launched a program for managers only called, appropriately, Managing People First (MPF). A five-day residential program for 25 managers at a time, MPF stressed the importance of, among other topics, trust, leadership, vision, and feedback. On a smaller scale, MPF stirred up issues long neglected at BA. One senior manager of engineering said, "It was almost as if I were touched on the head.... I don't think I even considered culture before MPF. Afterwards I began to think about what makes people tick. Why do people do what they do? Why do people come to work? Why do people do things for some people that they won't do for others?" Some participants claimed the course led them to put more emphasis on feedback. One reported initiating regular meetings with staff every two weeks, in contrast to before the program when he met with staff members only as problems arose.

As Marshall and his team challenged the way people thought at BA, they also encouraged changes in more visible ways. In December 1984, BA unveiled its new fleet livery at Heathrow airport. Preparations for the show were carefully planned and elaborate. The plane was delivered to the hangar-turned-theater under secrecy of night, after which hired audio and video technicians put together a dramatic presentation. On the first night of the show, a darkened coach brought guests from an off-site hotel to an undisclosed part of the city and through a tunnel. The guests, including dignitaries, high-ranking travel executives, and trade union representatives, were left uninformed of their whereabouts. To their surprise, as the show began, an aircraft moved through the fog and laser lights decorating the stage and turned, revealing the new look of the British Airways fleet. A similar presentation continued four times a day for eight weeks for all staff to see. On its heels, in May 1985, British Airways unveiled its new uniforms, designed by Roland Klein. With new leadership, strong communication from the top, increased acceptance by the public, and a new physical image, few on the BA staff could deny in 1985 that his or her working life had turned a corner from its condition in 1980.

Management attempted to maintain the momentum of its successful programs. Following PPF and MPF, they put on a fairly successful corporatewide program in 1985 called "A Day in the Life" and another less significant program in 1987 called "To Be the Best." Inevitably, interest diminished and cynicism grew with successive programs. BA also implemented an "Awards for Excellence" program to recognize outstanding contributions, and a "Brainwaves" program to encourage employee input. Colin Marshall regularly communicated to staff through video. While the programs enjoyed some success, not many employees felt "touched on the head" by any successor program to PPF and MPF.

Privatization

The financial crisis of 1981 rendered irrelevant the 1979 announcement of privatization by the British government until BA's return to profitability in 1983. Unfortunately for BA, a number of complicated events delayed the selling of shares to the public for almost four more years. On April 1, 1984, the government passed legislation that made BA a public limited company. Still, the minister maintained control of the shares. Before a public sale, BA first had to weather an antitrust suit against it and a number of other airlines by the out-of-business Laker airline chief Freddie Laker. They were also confronted by complicated diplomatic difficulties with the United States concerning UK-US flight regulations, and increased fears of terrorism. Finally, they faced a challenge at home by British Caledonian over routes, a challenge that ironically turned out to be the final ingredient in the cultural revolution.

In 1984, British Caledonian management persuaded some influential regulators, civil servants, and ministers that the government should award the smaller airline some of BA's routes for the sake of competition. In July the Civil Aviation Authority (CAA) produced its report recommending the changes. Arguing that substitution was a poor excuse for competition, Lord King led BA into a fierce political battle. Against the odds, King managed to extract a non-threatening compromise. Called The White Paper, the October report recommended increased competition but rejected forced transfers from BA to British Caledonian. Instead, it approved of a mutually agreed transfer between BA and BCal by which BCal attained BA's Saudi Arabia routes and BA attained BCal's South American routes. Perhaps just as important as the results, King led BA through a battle that both bound staff together and identified their cause with his board. Over 26,000 British Airways employees signed a petition against the route transfers. Thousands sent letters to their MPs and ministers. King's battle may have been the final stake in the heart of the lingering divisions that existed from the BEA and BOAC merger more than a decade earlier. The organization had been offered a uniting motive and a leader with whom to identify. As BA's legal director offered, King "took his jacket off, and he had a most fantastic punchout with [the government] about keeping the route rights. He got the whole of this organization behind him because they could see that he was fighting for them."

With its CAA review, diplomatic concerns with the United States, and Freddie Laker legal battle finally resolved, BA was ready for privatization in 1986. In September of that year, newly-appointed Secretary of State for Transport John Moore announced the intention to sell shares to the public in early 1987. With the offer 11 times oversubscribed, the public clearly displayed its approval of the changed British Airways.

After privatization, King and Marshall made globalization a major thrust. In 1987, BA took a 26% stake in Galileo, an advanced computer reservation system also supported by KLM Dutch Airlines and Swissair. That same year, BA arranged a partnership with United Airlines, allowing each carrier to extend its route coverage without stretching its resources. In early 1988, British Airways finally outmuscled Scandinavian Airlines System (SAS) to acquire British Caledonian. Finally, in December 1989, BA concluded a deal with Sabena World Airlines through which it secured a 20% stake in the Belgian carrier. Combined, the steps bolstered British Airways' global power and prepared it for what analysts expected to be a post-1992 European marketplace in which only the strongest carriers would survive. They also put an exclamation point on an evolving shift from a strongly British, engineering, and operationally-driven culture to one that emphasized global marketing through customer service.

Reaction at BA

Although not unanimously, by 1990 staff and management at BA felt that the culture at the airline had changed for the better since the 1970s. There was near complete agreement on the positive feelings generated by success.

The general atmosphere of the company is a much more positive one. There is an attitude of "we can change things, we are better than our competitors. . . ." I'm not certain if there's a relationship which is that a good culture leads to a successful company, but there is certainly the converse of that, that a successful company leads to a better culture. We are a more successful company now, and as a result of that it's easier to have a positive culture. (Senior Manager, Marketing)

I think the core difference is that when I joined this was a transport business. And I now work for a service industry. (Senior Manager, formerly of Cabin Services)

You start to think not just as an engineering department, where all my concerns are just about airplanes and the technical aspects. My concerns have developed into what the operation requires of me, and the operation is flight crew, cabin crew operations, ground operations. . . . What do I need to do to help British Airways to compete aggressively against all the other operators? (Senior Manager, Engineering)

Fifteen years ago, you just did one thing, and only went so far with the job, and the next bloke would do his bit. Now, I can go and do the lot, whatever I need to do. I don't call someone else to do the job. Now, you just get on with it. A job that could have taken eight hours is done in two hours. (Veteran engineer)

In the late 1970s, it was very controlled, a lot of rules and regulations. It stifled initiative. . . . We've become very free, and that's nice. There's not so much personal restriction. You can now talk to your boss. When I first started, it was definitely officers and rank. Now you've got more access to managers. (Ticketing supervisor)

In terms of both its superficial identity, its self-confidence, and also the basic service and product, there's an enormous difference to 10 or 11 years ago. Its management is perceived as more professional and its business is perceived to be more competent and effective. (Executive, Human Resources)

Challenges for the 1990s

Despite the enormous change in the culture over the 1980s, BA still faced huge challenges. Management and staff agreed that, while the new culture fostered a strong commitment to service, a much higher morale, and a better market image, certain pockets within BA still needed to institutionalize change.

I like it much better now, but I think it's still got a long way to go. . . . The trust and the belief in this organization is not quite there. We can see the problems, but we still don't have any input. . . . We waste so much time waiting for spares, waiting for airplanes. . . . We still think of ourselves as little areas. The five shifts

here are five little outfits. We still don't quite think of ourselves as British Airways. (Veteran engineer)

I don't think the culture change by any means has taken place as much as the public perceives. I think a lot has been done, but I don't feel it has become the norm. There is in places a lack of recognition of emotional labor, and the management and leadership requirements of emotional labor. I suspect we've gone a long way compared to many organizations, but it would be very easy to lose it. Eight years is a relatively short period of time to establish that, particularly when the economic pressure comes back on. . . . (Executive, Human Resources)

If you all pull together, then you get more out of it. The problem is getting everyone pulling together. You never get 100%, obviously, but I suppose if you get 80% pulling together, then you're not doing too bad. There will always be a percentage that won't be pulling together. (Veteran engineer)

Ironically, attacking those pockets was more difficult because of the strong impact of the 1983-1985 corporate celebrations. Employees as a group were changed by those celebrations, and to some degree by successive programs, but excessive repetition risked rebellion. Management had to make a judgment of whether the communication programs of the 1980s were worn out.

I think that the fundamental message has not changed over the last decade. We're restating old values. When the message was first heard, people did listen and read and absorb, because it was new, and it was radically different from the previous decade. So they had an incentive. The difference is there is no longer the incentive. First, because it's old news. Second, because there is a degree of cynicism about the sincerity. (Senior Manager, Passenger Services)

You go on a million courses to see how wonderful you are and how wonderful British Airways is, and you get back to work and nothing changes. . . . The larger you are, it has to be more and more impersonal. You are always going to find that the lower levels feel so far removed from the upper levels that pulling together is almost an impossibility. (Veteran ticket agent)

You can't go on selling the same old socks. In terms of messages and themes and something to focus the company around, it's a bit difficult to repackage in another way, and put all the sort of support mechanisms around it that we did in the 1980s, and do it all again in a way that captures the imagination in the 1990s. (Executive, Marketing and Operations)

Increasing costs complicated the effort to fine-tune the cultural changes. In the mid- and late-1980s there was a gradual drift toward higher ratings and higher pay scales. Added to that was an increase in sheer numbers, due to the 1987 merger with British Caledonian and the loss of focus.

When this all started five years ago, the idea was to cut out levels of management, and they did one night—that night of the long knives, they called it. Forty managers, hundreds of years of experience were chopped. We've doubled those managers now. (Ticket supervisor)

We're trying to get our cost base down. We're trying to find out why it is that as we try to grow, somehow or other our costs rise faster than our revenue generation. How do you manage all those issues, get them under control, as well as keeping the people in the business focused upon delivering quality consistently over time? (Executive, Marketing and Operations)

BA also faced both a loss of focus and a contradictory new message. The apparent contradiction between cutting costs and driving customer service may have been the most difficult challenge of all.

During the early- and mid-1980s period, there were some specific challenges for us to overcome, and they are less obvious now than they have been in the past. (Executive, Internal Business Consulting)

The real challenge in a people culture and a service culture is when the pressure's on. How do you manage change which requires you to get more productivity or more cost-efficiency or whatever, but still maintain a degree of trust, a respect for the individual, which I still think underpins service? (Executive, Human Resources)

Today, there is the unrelenting almost fanaticism about being able to deliver customer service. It's the thing staff remember above all else. And the frustration they talk about now in terms of their ability to deliver that customer service and some of the difficulties that we as a company are having in trading off still needing consistent customer service, but also needing to do it at a cost. We're struggling with a way of putting that message across to the work force that doesn't some way get returned to us as "you don't care about service anymore" because we've generated that single focus over the last seven or eight years. (Executive, Marketing and Operations)

In less than 10 years, British Airways had lifted itself out of bankruptcy to become one of the world's most respected airlines. The financial crisis of 1981 and the drive to ready itself for privatization had given the people of BA a focus that led to many changes. Still, there were obviously parts of the organization in which new beliefs were not institutionalized by the tornado of change. And in looking for a new focus, management dealt with the seemingly unattractive alternative of trying to get staff to identify with an issue as glamorous as cost-cutting. Yet, without increasing the value the culture placed on productivity and profits, while maintaining or increasing the value placed on customer service, King and Marshall could not guarantee BA's continued success in an increasingly competitive global marketplace.

Exhibit 1 British Airways' Results, 1977-1990

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Year End March 31														
Turnover (revenues) in £ billions	1.25	1.36	1.64	1.92	2.06	2.24	2.50	2.51	2.94	3.15	3.26	3.76	4.26	4.84
Operating profit in £ millions (airline only)	96	57	76	17	(102)	5	169	274	303	205	183	241	340	402
Pre-tax profit in £ millions	96	54	90	20	(140)	(114)	74	185	191	195	162	228	268	345
Net profit in £ millions	35	52	77	11	(145)	(545)	89	216	174	181	152	151	175	245
Revenue per Passenger kilometer (pence)	2.98	3.24	3.28	3.35	3.74	4.20	4.89	5.57	5.87	5.80	6.00	5.82	5.96	6.37
Number of employees (000s)	54	55	56	56	54	48	40	36	37	39	40	43	49	50
ATK per employee (000s)	121	123	135	145	154	158	182	199	213	221	222	236	243	247