

Business policy and strategic management



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Introduction Southwest Airlines hold a prestigious in the airline industry, not because of its profitability and culture, but because of the initiatives and strategies which it applied in creating a competitive edge over its rivals. It combined the basics of low cost leadership and differentiation strategy to devise its own rules of governing the airline industry. As a result, it enjoys the Numero Uno status of being the low cost airlines of US for more than 30 years and the legend is still continuing. Internal functioning at Southwest Airlines Southwest held the tag of low cost airlines in USA for so many years. However, some internal hiccups led to an unexpected change in its structure and internal functioning. It was considered one of the best companies to work for but increased labor costs and rising fuel prices turned these cordial relations into sour ones. While employees started complaining of low wages, Southwest also suffered as strikes and complaints by employees deteriorated the culture at and image of Southwest. Distanced employee relations and September 11 attack worsened the situation and customer complaints also started rising because of increased demands for safety in flights and long ticketing process. Emergence of other low cost competitors like JetBlue and AirTran threatened the very existence of Southwest Airlines because of which sustaining low prices became a daunting task for Southwest. One implicit reason behind such subtle transformation was the change in leadership witnessed at Southwest. Herb Kelleher was the person who employees identified with. However, with Gary Kelly replacing Kelleher, problems started emerging as employees lost the bonding and affection they had with the company under the leadership of Kelleher (Katrina 2001). As a result, Southwest which was registering profits for continuously 30 years was surrounded by threatening clouds of completion, rising costs and dismantling

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culture. Financially, it has and is performing better than that of its rivals. But internal misbalances are creating troubles for the airlines which can cause serious repercussion for it in the coming future. Strategy at Southwest Airlines In the words of Michael Porter, operational effectiveness and efficiency alone do not count towards sustainable competitive advantage because upon imitation by rivals, they rather change into competitive parity tools (Dess et al. 2005). Southwest Airlines was the pioneer and the innovator in integrating its different activities of operations with human resources. This combination garnered not only low cost operations but also a means of achieving differentiation from that of its competitors. The cornerstones of success behind this strategy are the unique culture at Southwest and the ways in which it aligns its human resources to provide excellent customer service. Many of its rivals tried to imitate its low cost leadership strategy but in this spree, could not sustain their low costs to remain differentiated for the customers (Hill & Jones 120). Southwest's low cost leadership/competitive strategy comprise point-to-point departures, reasonable ticket rates and multitasking employees which eliminate unnecessary costs (Hitt et al. 104). For instance, provision of snacks and beverages reduces the food budget and employing its flight attendants in cleaning and senior managers in ticketing tasks makes the best productive use of its employees. Culturally, Southwest is designed as a very informal and warm relationship based company to work at. Fun and autonomy are two of the major constituents of higher employee productivity at Southwest.

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