Challenges in market plan

Finance, Market

It was a challenge to take a hard look on which routes the operations had to be cut and on which routes flights had to be added. The change managers were guided by pure facts and not by the machinations of the vested interests. Those routes where occupancy was poor and costs were high were closed. Based on the financial information, more flights were added if the demand and potential revenues gave positive indications. Another challenge was to define what constituted better service and right price. If it was not defined accurately, higher prices would not be accepted by the customers.

They determined that convenient flight schedules, services from locations where they were most needed, clean and safe floors, reliable service, more pleasant travel experience, and desirable frequent flyer benefits would justify charging of higher prices; these components of service were ensured seamlessly. Higher prices were accepted by customers because of improvements in such areas. Change Implementation Process The change implementation process adopted by Bethune and Brenneman broadly resembled the eight- step process suggested by John Kotter (Businessballs, 2003).

A brief discussion on those steps is attempted in the following. 1. The change managers had demonstrated the ‘ sense of urgency’ of change among employees. Their first critical and hard steps in closing certain operations, announcement of incentives on-time arrivals, new performance appraisal systems, recruitment of outsiders for key positions, generation of enough and the like gave clear signals that the change was seriously intended; those did not comply with the change mandate would get boot. 2. Right ‘ team’ was created.

Bethune and Brennerman made the right team. Efficient hands from outside were brought in. Pay and benefits were most liberally set. Inefficient people whose team work and quality of contribution was poor were discharged. 3. The ‘ vision and strategy’ were formulated right: they were simple, easy to understand and well communicated. The vision centred around sustained profitability by continuous improvement in profitable operations, efficient customer service, efficient marketing, cost reduction, team work and fair compensation.

It is quite appropriate to remember that many change programme get disjointed and run into sand because of lack of clarity and alignment with destinations (Colenso, 2000) 4. The vision and strategy were communicated right through ‘ propercommunication’ systems. Everything was transparent. Every employee was kept informed of where Continental was headed for and where it was at a particular point of time. 5. The employees were ‘ empowered’ by throwing out all rule books and supplying broader guidelines. Enough authority was taken by the change managers from the board to launch a large-scale change.

6. ‘ Short term wins’ were created. Improvements in cash position, good ratings on on-time performance, monthly bonuses and the like, though small wins, filled enough psychological energy among the members of the organisation. 7. There was ‘ no let-up’ in the change process. They did not sleep on short-term wins. They kept raising ‘ performance’ bar in the offerings: products and services. Whoever came in way were discharged. They kept measuring the performance and innovating the ways of doing things better. 8.

The change process was made permanent by attempting to change the workculture, particularly in regards to the team work. Recruitments, incentives, promotions, products, marketing and financial plans were all continuously integrated with the needs of the market, goal of profitability and staying ahead of rivals. Taffinder (1998) observes that substantive change, also called ‘ transformation’, must be systemic and so affects the entire system. That was what Continental did. Outcome of the Change Programme Continental had a remarkable turnaround by 2000 after five years of change programme.

Important achievements include improved cash position, excellent on on-time performance, profits, boosted employee morale, high occupancy ratio, industry-par wages and salaries, repurchase of its own stock and avoidance of Chapter 11 bankruptcy. A few facts on its turnaround are : 1. In March, 1995, Continental was ranked first in on-time arrivals, with 83% on-time arrivals. 2. Continental repurchased its stock at a cost of $1. 2 billions through December 2000. 3. Continental was the first airline to be designated Airline of Year by Air Transport World magazine twice in a five-year period.

4. Passenger revenue per seat/mile increased from 7. 22 cents in 1994 to 9. 84 in 2000. 5. Net income which was negative at $613 millions in 1994 was improved to $455 million in 1999. 6. Earnings per share which were negative at $ 11. 88 rose to $6. 2 in 1999. 7. Passenger load factor increased from 63. 1 in 1994 to 74. 5 in 2000. Conclusion Continental Airlines with revenues close to $6 billion was reporting a net loss every year from 1985 till 1994. Continental Airlines filed Chapter 11 bankruptcy protection petition in 1983 and again in 2000.

It was saddled with a heavy debt burden and hamstrung for cash. The on-time arrival performance record of its flights was the worst among 10 US Commercial Airlines in 1993 and 1994. Many earlier change programmes did not bring enough success. Employees' morale was low and there was infighting among employees. Employees played by the rule book. Bethune and Brenneman launched a major change programme with components like changing the routes of operations, cutting costs, improving cash and profitability position, improving products and services, and changing the employees mindset for change.

In this direction, several initiatives were taken. Unprofitable operations were closed, flights on profitable routes increased, unproductive costs cut, and interest and lease payments renegotiated. Rewards were linked to customer service and incentive paid correctly and on time. Team work was encouraged. Those standing in the way of change were dismissed. Monthly performance appraisal system was designed and implemented seriously. Performance metrics were set. Change was communicated correctly.

Proper communications across the levels and among the employees were put in place. Employees were empowered. Rule books were destroyed and broad guidelines were created. Proper cost data was provided. In five years, Continental had a remarkable turnaround with an increase in income and decrease in costs and inefficiency.

References

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