South west airlines strategy management essay

Environment, Air

1. As briefly as possible, tell me, what do you think is South West Airlines' strategy?

Southwest Airlines' strategy is to emphasize on its high on-time performance-differentiating it from other airlines-and to establish a unique way of providing air travel services that competitors would not be able to easily imitate.

2. How has the original strategy been altered in recent years? How, if at all, have these changes affected Southwest's key success factors?

Due to the 9/11 terrorist attacks in 2011, Southwest had to comply with the changing directives from the alarmed governing authorities such as assigned seats for passenger tracking, detailed screening for passenger identification and further limiting luggage that negatively affected their on-time performance. The practices that differentiated it from competitors were out ruled by government actions for safety. This has also affected the freedom of Southwest employees to be able to " do whatever it takes" to get flights on schedule. This led to a negative perception of the company's performance while competitors relatively improved on theirs.

Originally, Southwest followsa steady growth of 10-15% annually. However, after the 9/11 tragedy occurred, the company pushed for expansion as evidenced by the increased number of Boeing planes orders, increase in liabilities and debts in its financial statements, and that no workers were laid off. This could be attributed to the fact that during those times, most carriers became low-fare to compete for people who needed to travel despite the recent shock for the terrorist attack. This changed Southwest's strategy of being low cost in order to be competitive in the market. This has caused market shares to rise for Southwest, however, the abrupt change might have also contributed to its decrease in on-time performance.

3. How is Southwest Airlines compared to competition (especially to imitators and like airlines)?

Southwest Airlines is a focused competitor in the industry. Rather than competing head-to-head with other established airlines, it focused on responding to a need that was not yet addressed by the industry-intrastate air travel. Following a solid strategy, Southwest employed a unique way of doing things compared to competitors.

Southwest’s operations design was centered on clear goals of lowering costs and emphasizing on-time performance:

No meals for all Southwest flights. (less cost, less airplane weight, less time consumed before and after flights)

Limited luggage for passengers (less cost, less time in checking-in and checking out)

It uses only 1 model of aircraft, the Boeing 737. (less spare parts inventory cost, less technical costs)

Employees were trained to do “ whatever it takes” for flights to proceed as schedules.

Operated in less congested airports (less cost for space, lower turn-around times)

Did not follow the hub-and-spoke model (less delays, less passenger-baggage problems, lower turn-around times)

4. Why has Southwest been so much more successful than its competitors?

Southwest Airlines started strong. For a new airline company operating in uncongested airports, it creatively established the “ Love Theme” for itself and its unique service of intrastate flights to be known.

Southwest has been more successful than its competitors due to its awareness and adherence to its own business model. Knowing what they want to offer the market, they carefully designed the processes involved in its operations to be fitting and reinforcing each other in achieving its goal of offering low cost flights, minimizing aircraft turn-around and thus, maximizing the number of daily flights-from the purchasing of one plane model, choosing of uncongested airports, partnering with labor unions and etc.

Southwest’s competitive advantage can be largely attributed to their strongly inter-related web of practices of running the airline. With it, imitators face a huge trade-off in attempting to copy the Southwest way of doing things. Full-flight airlines attempting to expand to point-to-point flights at the same time will face a huge trade-off due to inconsistency with their market image and position. Even if they took away plane meals, lowered down ticket prices and decrease turn-around time, they couldn’t employ the cost-cutting operations practices Southwest had because it wouldn't support their main business of full-flight services.

Southwest also prides itself in its strong company culture of teamwork among their work staff. Employees worked in teams instead of individually to " do whatever it took" to speed-up flight departures. The company also maintains good management to employee relations. Contrary to others, they partner with labor unions to work out a good pay and a flexible working environment for its employees.

5. What kinds of things over which Southwest's management has some control could go wrong, and what should be done to make sure that it doesn't?

Although one of the company's strength is its closely tied workforce, the company should be careful in developing an extremely laid-off work environment. Limitations should be set and observed properly.

With regards to the labor unions, it was pointed out that the sudden increase in market share caused the employees to seek better contracts. With this said, the company should be able to balance their response as to maintain profitability by not increasing costs too much but also retaining the trust and passion of their workers which is an important component of company's strength.

Despite directives from government authorities, an aspect that is still in control of management is the geographical location of its partner airports. In expanding their fleet, it is inevitable that the company would need additional spaces for these planes and thus, new airports to work with. Management should be able to choose where these planes should be located as to still be competitive with other airlines while not sacrificing their primary point of differentiation which of low and cost on-time air travel.

6. How should management respond to the fact that Southwest Airlines has fallen to next-to-last

place among major airlines in on-time performance as of September, 2002?

Management should not panic but should indeed perform assessments to figure out the cause of the decline in performance. Looking back at what happened since the past year, the drop in performance could just be a direct effect of the transition the firm is going through in its effort to transition to its new competitive position in the market. The company still has its unique selling point of low rates and the “ Southern Airline experience” which it can still maximize while working on attaining once again their timeliness in service.

7. Once operations are fully stabilized, would you recommend to the management of the airline that it resume its historic growth rate of from 10% to 15% per year? Why?

a. If you would recommend a resumption of previous growth rates, what form should this growth take?

b. If you would not recommend a resumption of previous growth rates, what might the consequences of this be?

Yes. With the current situation and performance of the company, it can be seen that it is struggling with its new competitive position. Going back to basics could be a great way to transition the whole company in heading out towards new directions.

However, these growth rates must not remain stagnant through the years. Especially that the company has started investing in efforts to expand, the company must gradually strive to grow more in the succeeding years to be able to gain the effects of their expansion.

8. What are the implications for Southwest of the actual or threatened bankruptcies of other

major U. S. airlines?

With the actual and threatened bankruptcies of other major U. S. airlines while Southwest has a relatively high market share, the company is given the chance to expand and fortify their market position through acquisitions.

This however, does not close the fact that other companies may also take advantage of the chance to acquire bankruptcy threatened firms. This implies a heightened rivalry among the strong airlines in the industry.

In another perspective, it was said that the government would give loans to airlines threatened with bankruptcy. This would increase the fight for customers among the airlines since these companies would need to gain revenue to be able to pay back their debt while Southwest also needs to improve on its financial statements resulting from the high costs it incurred in showing resiliency after the 9/11 attack. With this said, the company must exert efforts to lower down its costs and improve in its on-time performance to be able to be competitive in the market.