

Policy and strategic management



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Introduction Southwest airlines exemplify the successful generic strategy implementation of low cost leadership and differentiation. An attempt has been made in this paper to analyze the internal environment and strategy put in place by this strategic giant. Internal analysis of Southwest Airlines

Southwest airlines have always resorted to integrated and comprehensive internal practices which have streamlined its value chain along with the provision of a unique strategic positioning to the airlines. Its tangible resources comprise of automated systems, short-haul point-to-point routes, standardized fleet of aircrafts and a knowledgeable and skilled human capital which is equipped of the latest technical and service know-how (OUP n. d). These features add on value to its low cost proposition as ticketing process through automates system reduces the cost incurred in staffing. They remain focused on a specific class of passengers so that standardized service can be provided to them. Minimizing on personalization, extra meals and keeping the services to its minimum makes the integrated service delivery concept of Southwest Airlines intact with its differentiation strategy (Appendix 1). From intangible perspective, its service value chain and freedom provided to its employees to remain innovative and empowered in their decisions supplies profitable operations and competitive edge to it which counts into its core competence (Appendix 2). The distinctive factor of southwest airlines is its unique combination of resources which its competitors are unable to imitate. For example, faster turnarounds of planes, leaner crews, use of websites to sell ancillary products, et cetera. As a result of its core competencies and value added services, southwest airlines had been able to achieve the much needed customer satisfaction levels along with financial stability and increased revenues (Appendix 3). Unlike other

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airlines which charge exorbitant amounts in the name of quality and customized service, southwest airlines had achieved all the requisite variables and success in its low cost philosophy and aligned initiatives. Analysis of Southwest Airlines strategy Players operating in airlines industry have fewer options to create differentiation. In such circumstances, southwest airlines adopted the concept of ‘ providing similar product at low cost’ to gain the cost advantage against its competitors. It kept a tight control over elements of manufacturing, haul and routes, controlling overheads in accommodation, refreshment, ticket processing et cetera. From differentiation side, it bettered its service value chain by empowering its employees, creating cross-functional teams, encouraging creativity and enhancing the overall service delivery concept in airline business (Grant 263) (Appendix 4). Thus, carving on a mix of low cost products plus high class service, southwest airlines achieved its objective of both cost and differentiation advantage. Its mix of resources cannot be imitated or substituted by other resources by its rivals because these are being nurtured through constant monitoring, innovation, best practices and creativity which cannot be made or bought ready made by any of the rivals. The corporate culture at southwest airlines compliments its strategic disposition and competitive advantage as it fosters the talent and skills of employees and sustains a cooperative and learning based environment. Appendices

Appendix 1 Appendix 2 Appendix 3 Appendix 4 Works Cited Grant, Robert M. Contemporary Strategy Analysis. USA: Blackwell Publishing, 2005. “ The Internal Environment: A resource-based view of strategy”. OUP. 4 March 2011. http://www.oup.com/uk/orc/bin/9780199288304/henry_ch05.pdf