

British airways and e business business essay

[Environment](#), [Air](#)



Information technology revolutionizes the whole world in every sphere of life. World has become a global village and you can trade from one part of the globe to the other end. In modern global economy, use of information technology is the integral part of the day-to-day business process. With the developments in the Internet and web based technologies difference between traditional markets and electronic market place has been narrowed down.

‘ Information Technology (IT) consists of all the hardware and software that firm needs to use in order to achieve its business objectives. This includes not only computers, printers, hand held personal digital assistants, and yes even iPods (where they are used for a business purpose) but also software, such as the Windows or Linux operating systems, the Microsoft office Desktop productivity suite, and the many thousands of computer programs that can be found in a typical large firm’.

(Laudon et al 2007)

E-business is a term derived from e-mail, e-commerce it is a activity of a business on the internet where an organization can not only buy or sell its products but also offers its services to the rest of the world. In the past few years’ organizations are transforming themselves to compete with each other and with their rival. Organizations around the world spend huge amount of money to overhaul their operations and business information system to make quick and timely decision for the betterment of the company. The alphabet ‘ E’ before every word changes the whole scenario

for companies. E-business, e-sales, e marketing, e-procurement, e-banking, e-cad are just few examples.

E-Business & E-Commerce

E-business involves several key activities including improving business processes, enhancing communication and providing the means to carry out business transactions securely. E-business is a part of Internet economy, which encompasses all of the activities involved in using the Internet for commerce. (Hardcastle, 2008,)

E- Business is buying and selling, servicing the customer's communication with clients through Internet. It is all about e-transaction because it increases the productivity and enhances the decision making power at right time.

E-commerce is more than just mere transactions. It surrounds the wide range of activities like logistics, sales support.

E-commerce activities can be of following types;

Business to Business

Business to customer

Business to government

Customer to business

(LSBF, SOM Course notes L. 11, p. 3)

British Airways

British Airways has a glorious past since 25th August 1919, but in modern form it came into existence on 1st Sep, 1974 with the name of BOAC (British Overseas Airways Corporation) and BEA (British European Airways). British Airways is UK'S largest premium scheduled airline with more than 400 destinations around the globe. The main activities are operation international and domestic scheduled air services for passengers. It operates from London Heathrow, London Gatwick, London City Airport. 87% revenue of the BA comes from passengers, 7% from cargo and 5% percent from other activities. British Airways earned £6.7 billion in year 2010.

(British Airways, Report and Accounts to December 2010).

British Airways & Information Technology

History of using information technology in British Airways is very old. In 1991, British Airways spent almost £150 million for information technology, as it was almost equal to the price of two jumbo jets at that time. Core operational activities of BA are flying the customers around the globe by maintaining the excellence of services with the use of latest technology. BA used the largest computer of the world outside the defense industry for the processing of its data. BA can extract data within 2 sec from anywhere in the world. Most distinctive operational methodology is the

core competence of British Airways. British Airways understands that information technology is inseparable part of organization's operations. IT is

strategic tool, which can provide competitive edge on rival organizations. Brand name and value chain activities can be critical success factors of the company.

(Source: Financial Times, 8th January 1991, Sunday times business world, 1991)

British Airways & Input/output Transformation Model

“ All the operations modeled on input-transformation-output process. They all have input of transforming resources, which are usually divided into ‘ facilities’ and ‘ staff’ and transformed resources which are some mixture of materials, information and customers.”(Slack, N. 2010).

In input/output transformation model “ input” always loses its identity during transformation process and give output in the form of products or services. Input can be of many forms like material, information, and customers as shown in the picture below. In manufacturing industry output is in pure product form similarly in service industry output is in pure services and which are normally intangible.

(Slack, N. 2010).

Operations management in organization like British Airways are not so simple, there are series of activities to channelize these operations. The systematic design, direction and control of processes that transforms inputs into services or products for internal and external customers. By channelizing the operations of an organization a supply chain can be formed

for better output of the product/service, which can ultimately satisfy the customer, needs.

Management of operation of British Airways can better understand by the application of Transformation model.

In BA, aircrafts, pilots, aircrew, ground crew, passenger and freight are the inputs, which transformed into output which means service has been offered (passengers and freight transported). During transformation process checking in of passengers, fly of passengers and freight, passenger's care is included.

Fig 1: Input/output Transformation model

For better service, which is the final product of BA, input should be of good quality. State of the art aircrafts, highly professional pilots, hospitable aircrew, polite ground staff and highly dedicated engineers made up the fine input for best output. In transformation level timely arrival, quick check in and good quality service during flight make a difference that results in up to the level output. Customer satisfaction and their feedback bring improvement in these processes.

BRITISH AIRWAYS & OPERATION MANAGEMENT

Operations management is the activity of managing the resources, which produce and deliver products and services. (Slack et al, 2009)

Success of an organization depends upon how its operations are managed by its managers. " Operations managers are the people who have particular

responsibility for managing some, or all, of the resources which compose the operations function. Again, in some organizations the operations manager could be called by some other name. For example, he or she might be called the ' fleet manager' in a distribution company, the ' administrative manager' in a hospital, or the ' store manager' in a supermarket. (Slack, et al, 2009)

In order to achieve the objectives of a company its operations must be coherent and should be in right direction. A British airway is trying to achieve its objective in an effective way by in lining its activities.

CUSTOMER RELATION MANAGEMENT

Retention and attraction of new customers is critical performance indicator for any company. British airways understand its importance that's why " The Customer and Operations Executive is accountable for day-to-day customer service, operational performance and ensuring the highest standards of safety." (British airways, annual report 2008/2009)

Couple of years back customer relation management in British Airways was very weak as there was a down turn of 2% from 61% to 59% of customer recommending BA services. (British Airways, annual report 2008/2009).

Innovation in organization was very slow. British airways was failed to target the price conscious customers through low cost airline operations. Baggage handling and punctuality was a constant problem for business class customers.

Challenge: customer relation management for both business and leisure travelers to maximize the revenue was a big challenge for British Airways.

Solution: business intelligence (BI) was the solution for all these problems. Customer relation management, revenue management, flight punctuality and yield management delivery of information across the whole organization worldwide was done by business intelligence.

Different approaches can be adopted for CRM. Customer segmentation: value based and need based approach is adopted in this form technique in which organization identify the needs of customers and target high value customers which guide them for more investment in that area. CRM initiative development: organization must abandons its fast following approach. CRM initiative development plan can make it leader in airline industry.

Organization design and management: in this approach employees need to articulate in CRM strategy so that organization can gain competitive edge.

(lbn. com/crm_airline)

In today's competitive airline market, the British airway is going to roll out its CRM software to support its marketing campaigns through wider data warehousing vision (OLAP). Products of BA, which are available in market, it is not possible to change all those at sudden due to capacity restriction, as routes have to be negotiated and published 6 months in advance.

Maximization of yield can be achieved by creating a balance between business seats and cheaper leisure fare seats. The needs of both types of customers are different. Business class customers require frequency of flights, punctuality and good customer service on the other hand leisure travelers want value for money. To deal with this issue CRM steps in through which different offers have been made to different customers, which satisfy

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their needs. Data had been collected from customers travel history; customer profiles and then different offers were made to all customers. CRM use in marketing campaigns can bring all the commercial activity on single platform,

which can ultimately, improves overall decision-making power of an organization

KNOWLEDGE MANAGEMENT

“ Knowledge management is a systematic approach of set guidelines in which data is collected, accumulated and made easily available to all seeking knowledge and experiences to excel themselves in order to achieve a communal growth in an organization.”

Knowledge management. 2012. Knowledge management. [ONLINE] Available at: <http://www.knowledge-management-online.com/knowledge-management16.html>. [Accessed 02 July 2012].

Knowledge management can be of two types;

Tacit knowledge

Explicit knowledge

Tacit knowledge can be gained from personal experience, aptitude. It's the way that one perceives insight. Implied knowledge is also a form of tacit knowledge it resides in individuals and teams. British airways is an old player in airline industry. Its experience helps to overcome its own mistakes and to improve processes. British airways recently changed its ' KIOSKS' system

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with PC's. Because they think that people are more familiar with computers and that will be easy for them to use and it will save cost for the organization. Tacit knowledge comes with the passage of time as it is also gained from best practices and wisdom. It is recordable intellectual property.

Explicit knowledge is a knowledge, which can be conveyed to others. It is a codified knowledge can be transferred through dialog, documentation, media, books, drawing and demonstration. British airways collects all the data at counter about their customers information. They take customer's complaints very seriously as they know the importance of it.

Fig 2: knowledge management

British airways always try to keep cordial relation with its customers. BA always appreciate the customers and their feedbacks which been analyzed different departments for their performance appraisals.

Information technology plays an important role here for knowledge management process. Introduction of new technologies at terminal 5 is the sequel of this process. Check in through mobile, e-tickets, online booking and online purchasing of tickets is part of that process.

Basic purpose of knowledge management in business especially in e-business is to create, transfer, and apply that knowledge to achieve the corporate objectives.

Cost reduction, being systematic in data collection and quick response are the basic qualities of KMP. Moreover it is also a key driver of innovation as

product and services are becoming smarter day by day and more knowledge based.

Terminal 5 of Heathrow airport is the best example of knowledge management, which was built in March 2008 to solve the problems of excessive air traffic. British airways has been successful minimizing the air traffic so far.

Fig 3: knowledge management and decision-making.

Knowledge management is key factor in e-business as e-business broadens the meaning of business. An organization with good command of knowledge of customers, suppliers, competitors, employees, methods and process can trade around the globe with confidence through Internet and intranet. Knowledge management is, therefore, an integral part of customer relationship management and e-Business.

Value Chain Analysis

‘ The Cumulative of the processes of a firm is a value chain, which is the interrelated series of processes that produces a service or product to the satisfaction of customers. Each activity in a process should add value to the preceding activities; waste and unnecessary cost should be eliminated’.

(Krajewski et al 2007)

Fig 4: British Airways value chain analysis.

Value chain processes are of two type’s core process/supporting processes. Core processes are those activities those add value to customer’s and

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supporting processes are those activities, which give recourse to core process. These are important to management.

Above figure can better illustrate the value chain in British airways but there are number of inefficiencies that can reduce the value created by these activities.

SUPPORTING ACTIVITIES

Firm infrastructure: large bureaucratic structure within British Airways is making the decision making process very slow.

Human resource management: according to British Airways annual report 2007/2008 opinion survey just attracted 35% people.

Technology department: British airways have failed to gain recognition for new innovation.

CORE ACTIVITIES

Inbound Logistics: high solidarity between supplier workers and BA employees has created history negative action as BA employees walked out in supplies employees support for two days

Operational/outbound logistics: At terminal 5 operational difficulties and baggage handling problems were obvious in early days of Terminal 5.

Marketing: Lack of innovation in marketing strategies of British Airways left him behind the Virgin Atlantic airline.

Competitive Advantage through Operation Management

A company can have competitive advantages over its rivals through efficient operation management. It happens when company's profit exceeds from its industry average then it can be called sustainable competitive advantage.

Michal porter from Harvard University established the ways by which a company can get competitive edge over its rival. According to Michel Porter (1985) competitive priorities can be extended to wider prospect by company to get sustainable competitive advantage. (Porter and Millar 1985)

Cost leadership: A company can be a cost leader if it offers its product or services with a less price than its rivals. Cost leader must have economies of scale in its operations, access to raw material and access to technology with a smaller cost. Example; easy jet in UK is cost leader nowadays. All the activities of easy jet make it a cost leader like;

Standardized fleet with low maintenance cost

No food during flight

Use of secondary airports

Use of IT to reduce the administration cost

Differentiation leadership: it is totally different strategy in which company's objective is to make its product /services different from other rather than to save cost. Differentiation can be of one's services may be of its marketing approach or may be of delivery system.

(LSBF class notes p3)

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British Airways believes in differentiation leadership as it is claimed itself a UK's premium scheduled airline.

Projects image of luxury and comfort

Comprehensive service and professional attendants

Significant business class capacity.

No doubt British Airways is a premium scheduled airline of UK but still there are no. of ways through which competitive advantage can be achieved like better resource planning, better quality management, revolutionizing the supply chain management. All these operations of a company are interlinked so in other words inseparable when we talk about the achieving the competitive edge.

Resource Planning: A better resource planning can make it possible for a company to overcome its operation cost. Through which British Airways can optimize its operations and productivity. Demand driven resource planning and employees scheduling are very crucial for success.

Crew scheduling: Dynamics of British Airways are very complex.

Complicated, frequent flight scheduling with optimal crew planning is very important in this culture. Incorporation of both employees' preferences with corporate objectives can give best result in this complex environment.

Fleet management: British Airways are well aware of its fleet management for better services which makes it a leader in airline industry. Skillful fleet management with optimizing crafts utilization made it a leader.

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Supply Chain Management & Resource Planning

According to Slack supply chain in streamlining of information along with product and services.

(Slack et al 2009)

British Airways' competitive advantage is directly link with its supply chain management along with resource planning. Although British airways is not a cost leader in airline industry but at the same time it is responsibility of management to get best out of its supply chain.

Customers' loyalty with British airways is just because they think they give best value for money. So it is very important to reduce the cost for supporting activities and deliver best from core activities.

Supply chain management and resource planning are directly linked to each other for competitive advantage. Pro-active planning is the need of the hour. Complex processes of personnel planning demands a software solution. Utilization of information technology, employee's expertise, employee's preferences work time directives and labor contracts must be the part of the system.

Baggage handling, fueling, cargo handling de-icing, maintenance are core activities in supply chain management. Excellence in these areas gives competitive edge to British airways.

Operations Excellence & Competitive Factors

Slack et al. (2004) argue that there are five operation performance objectives;

Quality

Cost

Speed

Dependability

Flexibility

Cost: organization's ability to give its services or produce at low cost.

British airways is not cost leader in its industry.

Quality: customer satisfaction with high standards of quality. A British airway is known for its quality services.

Speed: The ability to do things quickly in response to customer demands.

British Airways is premium airline, which is also known as for its timely arrivals.

4. Dependability: The ability to deliver products and services in accordance with promises made to customers (e. g. in a quotation or other published information).

5. Flexibility: The ability to change operations. Flexibility can comprise up to four aspects:

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The ability to change the volume of production.

The ability to change the time taken to produce.

The ability to change the mix of different products or services produced.

The ability to innovate and introduce new products and services.

Fig 5: slack's operation performance objectives.

In order to get competitive edge it is important to excel in one or more of these operation performance objectives, which can enable organization to pursue, its corporate objectives corresponding to competitive factors.

It is really important for an organization how customer value its chosen competitive factor along with its ability of operations to achieve excellence in appropriate performance objectives.

Quality Management

Being a premium scheduled airline of UK, British Airways has to maintain its quality in its operation to keep its customers loyalty with it along with attracting the new customers. Quality management is very important as it has a flight in every 2 minutes.

Putting people first: British Airways slogan “ putting people first” brings huge responsibility on the company as people demand quality in every operation.

Total quality management concept is embedded in the culture of BA. BA deals its employees as internal customers as they raise slogan “ we fly to serve” every department in BA is model of excellence quality management

as engineering department comes forward with slogan “ engineer excellence”.

Food services: food services have a powerful impact on customer’s minds and memory of flight. British Airways adjusts its food recipes in accordance with geographical places.

Fig 6: operations performance objectives and competitive factors.

Due to this quality management British Airways is performing well as it manages increase in its profit up to 13% and 12% in each subsequent year at the same time it manages to maintains 4th position in world’s airline ranking which has 41% share in North Atlantic market with advance fleet strength and enormous customer care program.

CAPACITY MANAGEMENT

Capacity management is a process in which a company tries to bridge the gap between demand and supply demand. Capacity is a ability to meet the demands. Difference between demand and supply could be due to fluctuation between either of these. (Slack et al 2010)

Insufficient capacity without any planning can deteriorate the company’s performance at the same time excess capacity could cause extra cost which ultimately leads to affect the organization’s overall performance.

British airways capacity planning department is striving hard now a days to tackle the huge influx of people in London olympics2012. they are trying to get best out of their existing capacity at the same time trying to get extra so

that they can meet the customer's demands. British airways is trying to rescheduling all its activities so that they can reduce the unexpected delays, introducing self service check in facility just to save time , reducing the aircraft check up time without compromising quality. At the same time marketing department of BA is modifying the demands promoting the leisure traveler so that they increase the efficiency.

E-Business & Operation Management

E-business is very popular in airline industry due to its multitude of operations benefits. It is cost saving due to reduction in paper transactions. It speeds up the communication due to utilization of information technology.

Supply chain: E-business enhances the supply chain efficiency by providing real time information regarding flights, tracking of cargo etc. it links the customer's demand information to up-stream supply chain function effectively subsequently facilitating ' pull' (demand driven) supply chain operation.

LEVELING THE PLAYING FIELD

E-business being a tool of e-commerce makes it " mass customization" which provides a leveled playing field for all companies. A large no of companies are adapting e business approach, as it is easy to use for customers in this modern age.

British airways recently replaced its ' KIOSKS' system of check in with ' PC' system as it is easy to use and will save £3. 5 per passenger every time he will check in with the use of this system.

ROLE OF E-BUSINESS IN BUSINESS STRATEGY

In modern times, e-business has become a basic element of all the business strategies. It is widely transforming business approaches and business operation as there are no geographical boundaries for this approach.

ADVANTAGES OF E-BUSINESS

Following are the advantages of e-business in British airways;

Cost reduction: E-business plays a major role in overall cost reduction of a company as it reasonably reduces the paper transactions within a company.

Swift communication: use of IT in e-business makes it possible to communicate with other parties electronically, which makes the communication faster than ever.

Sales: E-business brings revolution in selling strategies of an organization. Now a customer can go directly to British Airways site and can purchase ticket directly from site rather than going to agent to buy. By this approach a customer can save a lot at the same time British airways has nothing to pay to travel agents.

Timeliness: Correct information at correct time can provide potential competitive edge to any company. In British Airways information regarding flight arrivals and departure and online booking of tickets with discounted rate make it important to get all the information at right time in timely manners.

ISSUES REGARDING E-BUSINESS

E-business is a hot cake for every industry in this modern age but despite of the fact there is still number of issues regarding e-business those have to be solved to get best out of it.

Some of these issues are following;

Security

Flexibility

Fault tolerance

Timely processing in every field

Lack of understanding

Concern about security of sensitive data, such as credit card numbers, personal data and business confidential data.

There are still many issues regarding e-business those have to be sorted out because ' cyber war' is going on, on internet in which hackers attack on organization's website to steal confidential data regarding their credit card information, rest of other important confidential information.

BRITISH AIRWAYS & CISCO

“ Cisco was able to help us towards a new way of looking at our internal world. A way that will not only have profound effects upon our culture, but will also drive through huge improvements in our business efficiency.”

(Simon Harford, Head of eBusiness, British Airway)

British airways want to be undisputed leader in the world of air travel. British airways directors are aware of this desire so they are striving hard to get value form IT.

CISCOS come up to solve this problem for British Airways. Cisco made BA a ‘ web enabled’ airline by expanding the possibilities and lowering the risks. Cisco’s system information business solution group accelerates the achievement of that objective. (Cisco. com)

E-BUSINESS AND BA CARGO INDUSTRY

British airways have achieved a milestone of enhancing its customer services up to cargo services. British airways is using IT to give its customers best services for cargo. British airways uses EDI (Electronic Data Interchange) technology for receiving and transmitting airway bills. Automated notification technology is also used with track and trace using barcode information system. BA is member of cargo 2000, which is group of airlines forwarders, sponsored by IATA whose aim is to improve efficiency of cargo around the globe. (Baworldcargo. com)

Conclusion and Recommendations

E-business has changed the way the businesses are run in today’s world. It is useful but still has some grey areas that need to be fixed.

Issues like the security flexibility, cost fault tolerance, timely processing etc discussed earlier are the reasons why organizations are reluctant to use e-

business. These issues need to be addressed so that e-business could be of real worth to the businesses.

Financial issues could be addressed by government intervention by providing subsistence to the companies to introduce e-business. Security issues are amongst the most important issues as introduction of IT comes with security. Companies are reluctant to use e-business because it poses threat to the security of their confidential data. Security issues could be resolved using anti viruses. Laws should be put in place to reduce cyber crimes and data theft.

All the data should be documented so that the amount of paper used could be reduced. This would be beneficial to the environment and the company would be seen to be eco friendly.

British airways uses electronic media to compete on the basis of differentiation where as they could also use it to reduce cost. This would mean that BA could use mixed strategy. For example: Dell uses mixed strategy to compete they provide good quality at cheap prices.