

An analysis of the culture of an organization



**ASSIGN
BUSTER**

Southwest Airlines is the pioneer in low-fare air transportation and one of the leading American airlines. In 2010, with a number of 106. 2 million passengers carried, it was the USA's largest domestic carrier in terms of boarded passengers (Centre for Asia Pacific Aviation and IATA, 2011). Southwest was incorporated in Texas in 1967 and service started four years later, in 1971. Originally, the airline was only serving Texan cities but the company has progressively enlarged its service to other American states and cities.

Until 2011, no international destinations were comprised in the airline's routes even though codeshare agreements permitted it to offer international flights operated by other airlines as stated by the Southwest media website, 2011. The acquisition of AirTran Airways by Southwest Airlines will allow it to serve some international destinations in Mexico and the Carribean. In 2010, the staff represented 34, 901 persons and the company owned 548 aircrafts (Datamonitor, 2011).

A PESTEL analysis of the global airline industry by Xerfi Global (2011) will allow us to understand that the macro environment stays exceptionally challenging. Here is a brief summary of the analysis:

Positive effect

Negative effect

Politics

Public support actions

Political instabilities, conflicts, terrorism

Economy

Increasing demand for air transportation

Oil and fuel price variations

Sensitivity of demand to prices and economic variations

Social

Expanding world population

Economic and social globalisation

Seasonal demand

Technology

Aircraft efficiency enhancements

Creation of new aircraft concepts make air travel even more attractive (e-commerce)

Chronic delays in aircraft delivery

Environment

Unfavorable weather conditions

Natural disasters, pandemics

Environmental law to reduce emissions (carbon offsetting)

<https://assignbuster.com/an-analysis-of-the-culture-of-an-organization/>

Legislation

International agreements in favour of liberalisation and globalisation

Severe security and safety regulation

High levels of taxation

A market analysis of the global airline industry (Xerfi Global, 2011) reports several facts. First of all, politics have a high impact on the airline industry. It can be seriously influenced when it comes to growing taxes, stringent security norms or legislation defending the environment. All these constraints impact the finances and operations of airlines. However, governments offer regular financial support to assist airlines because of their significance for trade and tourism. Moreover, economic and social globalisation leads to market deregulation and thus enable the good development of the industry. The economic factor has also a high impact on flag-carriers. For example, in 2009 during the global economic crisis, all the industry was affected as stated by Xerfi Global, 2011. Consumers were less likely to travel because of the variations of diverse economic factors like employment as well as income level or more generally global trade. As a result, the air traffic was highly and rapidly contracted.

Regardless of these issues, demand for air transportation is increasing due to the growing demand in emerging markets (Aviation Industry, 2009). The constant technical progress of the airline industry by the development of plane with high capacity, asking a reduced maintenance and a reasonable consumption made accessible this type of transportation to several hundreds

of million persons. Nowadays, it is cheaper to travel by plane thanks to the technology's fast improvements and to a more active competition. The costs are significantly reduced and thus allow more people to use air transportation.

After using a PESTEL analysis, it is now necessary to get a closer look on the internal factors. Here is a SWOT analysis of the Southwest airline retrieved from a report made by Datamonitor (2011):

Strengths

Weaknesses

Firm operating strategy

Robust fleet operations

Increasing cash flow from operations

Class action lawsuits

Dependent on single aircraft and engine suppliers

Opportunities

Threats

Poised to benefit from the acquisition of AirTran Holdings

Positive outlook for tourism industry in the US

Growing US airline industry

Intense competition

Increasing fuel prices could strain margins

Stringent government regulation could increase operating costs

Table : SWOT Analysis of SWA – Datamonitor 2011

Focus of the report : practice

Companies, following the example of the individuals, possess their own culture. Generally, in a company managed by its owner, the culture corresponds appreciably to the personal culture of this one. As reported by Kotter and Heskett (1992), company with a strong corporate culture is due to the founder or the early leader and his capacity to articulate ideas as a vision or business strategy. In big organizations, several cultures mix. Sometimes they can be incompatible because of the diverse personalities who compose the management team. Besides, the experiences and the society can also influence (in a positive or negative way) the corporate culture, sometimes even without the managers knowing. In every type of organization, a deficient culture risks to have a demotivating effect on the staff and to be source of dissatisfaction to the clientele – two factors which have a significant incidence on the profitability of the company. Organizational culture is defined as: “ a pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 1990, p. 111).

Southwest Airlines is a perfect example in terms of corporate culture. Over the years, the company has imposed a strong and original culture that has always made the airline even stronger. Today, SouthWest Airlines confirms its corporate culture centred on a relation privileged with its employees and its clientele by diversifying the means to communicate with this one through various social networks in which the company answers present and invites its employees to participate. This report will focus on the fact that Southwest airline focuses its attention on its employees. For example, in 2001, Southwest Airlines had already thwarted the effects of the recession by putting in the foreground its employees. The company chooses to draw from its financial reserves and to emphasize the advertising to consolidate its positioning as a low cost airline in order to avoid the lay-off. The creed of SWA is perfectly organized: “ Treat your employees well, they’ll treat your customers well, the customers will become loyal, and your company will prosper.” (James Parker, former CEO of SWA)

CHAPTER 2 LITERATURE REVIEW – THEORY

Theoretical framework used and reasons it was chosen

Schein (1992) emphasizes the importance to realize a cultural analysis in order to succeed an effective management which can transcend the national and ethical frontiers. He asserts that this analysis represents a key factor of success for the leaders, who are the persons in charge for creating, administering, changing and even destroying an organizational culture.

Schein (1992) has defined three basic levels of a culture which help to realise such an analysis:

The first level establishes the surface of a culture and consists of artefacts, which are defined as “ visible organizational structure and process” (Schein, 1992). Artefacts are explicit either material demonstrations of a culture, such as the physical structure of a company (the architecture, the size of offices, presence or absence of barriers between offices, etc.), the dress code of employees, the visible behaviour of the persons, the rites or ceremonies, published lists on the values and the philosophy of the company, etc. The meanings of these artefacts are only known by people from inside the company, and are thus difficult to understand for an external observer. In the same spirit, Trompenaars declares that stereotypes are formed in this superficial level: « prejudices mostly start on this symbolic and observable level [...] each opinion we voice regarding explicit culture usually says more about where we come from than about the community we are judging » (1998).

The second level of a culture is constituted by explicit values “ espoused values” as stated by Argyris and Shon (1978) (as cited in Schein, 1992). It includes values and faiths put together by a group of persons. However, these can be simply “ affirmations” because there are uttered values which are not put into practice in all the situations confronted by an individual. For example, the managers of a company can affirm that one of their main values is the environmental protection, while in reality, the company pollutes in secret the environment. In that case, the assertion of a value does not condition the behaviour of the managers.

Trompenaars explains that this type of behaviour is a result of a contradiction between the standards and the values: “ while the norms,

consciously or subconsciously give us a feeling of ' this is how i aspire or desire to behave ' " (Trompenaars, 1997). Nevertheless, Schein has identified a third level of culture, in which the explicit values become internal values, which will determine the behaviour of the group which shares them.

This third level is the formation of basic underlying assumptions. The process by which a shared value is transformed in one basic assumption is introduced by the leader / founder of a certain group. For example the leader of a group can propose a solution to a common issue (based on one of its values or even on a faith). Then, the validity of this proposal will be questioned and debated between the members of the group. The proposal will thus be " tested " several times in order to evaluate it. Finally, if this solution works in a repetitive way, the value which is behind will be approved as correct and by consequent it will be considered as an absolute value and unconsciously it will be assimilated as " shared basic assumption ", anchored in all the members of the group's minds.

These " shared basic assumption " constitute one of the foundations of the meanings which the group shares in an implicit way and which give a context of interpretation common to the group.

The model of Schein goes farther than the model of Hofstede which presents the culture (including the organizational culture) as an onion " onion diagram ", with the values in the centre, encircled by layers of demonstrations or practices of the culture, defines as the symbols, the heroes or the rites. According to the model of Schein, the symbols, the heroes and the rites are

all categorised as artefacts, and the basic assumptions are at the heart of the model, with the explicit values between both levels.

Schein's organizational theory will be the most useful framework to study this particular practice within Southwest Airlines. The company is well-known for its strong corporate culture. Since its creation, the company has shown undeniable success even during the economic crisis. Beside this important fact, SouthWest Airline is also good for its employees and they do not hesitate to say it: the company has been ranked second best place to work for in America in 2011 (Glassdoor, 2011). Therefore, it would be interesting to understand how such a successful company managed to go through the years without losing any of its qualities. That is why a deep analysis of the company's corporate culture will be done using the Schein model.

CHAPTER 3 ANALYZE OF THE PRACTICE OF SWA

Applying the chosen theory

This part of the report will be dedicated to an analysis of the "employee-focused" practice of Southwest Airlines through the Schein model.

Schein organizational culture level is obvious in the case of Southwest Airlines. At the first level, culture is visible to those who are inside the organization and outsiders through organizational artifacts. It is the most visible and accessible level of culture. These are employees's behavior, logos of the company or slogans such as "Just Plane Smart" (Southwest Airlines, 1992). Kelleher states: "We were always very colorful and somewhat promotive of a sense of humor. We have always had that approach, in an informal way" (Organizational Dynamics, 1992). Each person who travels

using a Southwest flight will pay attention to the attitude of the Southwest employees.

They characteristically are the friendliest, most willing to help employees of any airline. Southwest chooses its employees based on their social skills and their ability to be sociable and outgoing. Personnel at Southwest must be happy to work and communicate with customers. That is why Southwest gives its employees the freedom to use any talents or skills they may have in order to entertain and serve the customers as long as they make them happy. This is one of the factor that contribute to Southwest's excellent customer service.

There are many examples that prove the fact that employees can act freely. For instance, flight attendants might sing or tell jokes during the flight. In 2009, David Holmes became the most famous rapping flight attendant and his performance became viral on YouTube (" Southwest's Rapping Flight Attendant on Freestyle and Flying to Vegas", 2009). This is one of the numerous example that demonstrate that on Southwest's flights, flight attendants do not only serve customers by demonstrating seatbelts and serving food and drinks.

The middle level of a culture includes values and norms put together by a group of persons. Southwest has two main values: humour and altruism. They are defined by different beliefs of the company such as the importance of focusing on the situation, issue or behaviour rather than focusing on the person. It means that a solution must be found instead of judging others. Also, employees need to be creative and cooperative. It is really important to

maintain the self-confidence and self-esteem of others. That is why employees have to respect all the different personalities in order to create one big “family”. The company also insists on the importance of constructive relationships between employees. The success of the company depends on a good teamwork. Moreover, people in Southwest have the duty to make improvements in order to make things better within the company. A “LUV attitude” is always required and everyone should behave in consideration of the company’s spirit but also in consideration of others. The Golden Rule is “Treat others as you want to be treated” (The Power of LUV: An Inside Peek at the Innovative Culture Committee of Southwest Airlines, 2008).

Here are the values as stated by Kelleher (as cited by Organizational Dynamics, 1992):

VALUE 1: Work should be fun...it can be play...enjoy it.

VALUE 2: Work is important...don’t spoil it with seriousness.

VALUE 3: People are important...each one makes a difference.

A perfect example of Southwest’s corporate story that helps employees understand how they should behave in a particular situation could be the early years of the company.

The first nine years was the toughest part of the company’s life. As stated by Lusk on the company’s blog, “tradition here at Southwest Airlines that anyone hired during our first year of operation is considered an Original Employee”. In 2010, eleven of the Original Employees are still working at

<https://assignbuster.com/an-analysis-of-the-culture-of-an-organization/>

Southwest. Seven of them were on Southwest's first flight as flight attendants; one works as a manager in flight operations, another is a member of Southwest's ground crew, one is a dispatcher, and the last one works in maintenance (Lauer, 2010). On special occasions, Southwest invites the Originals to come in to Southwest's headquarters and talk about their experiences to current employees. Lauer (2010) indicates that the Originals tell current employees about the struggles of a new airline working hard to develop. They also explain how the company managed to advertise without any money in the beginning. The flights attendants had to be creative because the company had no money to spend on advertising. They would go down to the streets of Dallas, Houston and San Antonio wearing their uniform and distribute flight schedules for the airline's four flights to everyone they met.

This type of storytelling preserves the history of Southwest, while also connecting the company's early corporate culture to the lives of the actual and future employees.

Furthermore, corporate rituals are recurring sequence of activities that express significant values of the company.

There is one ritual for what Southwest is famous for: its Halloween party. Every year Southwest Airlines hosts a enormous Halloween bash at its Dallas headquarters (Southwest LUVs Halloween, 2012). Herb Kelleher passed on his love of Halloween and made it become a tradition at Southwest Airlines. Once, the former CEO showed up dressed as Elvis driving a Harley-Davidson (Lauer, 2010). Once Kelleher retired in 2004, his successor Gary Kelly proved

his undeniable belief in and support of preserving the unique corporate culture of Southwest by dressing up on Halloween as Captain Jack Sparrow from the film *The Pirates of the Caribbean*. And he has been celebrating Halloween every year since then. Halloween party shows that having fun in the working environment is an essential value of the company.

The third and deepest level is called basic assumption level. At this stage, the transmission of culture is done unconsciously or under the surface. As stated by Hill and Jones (2001), basic assumptions help to formulate organizational values and these become shared assumptions that guide how employees interact with each other.

Overtime and through socialization, the values are conveyed to and taught to new members of the organization as the right way to do things. Southwest employs two tools to socialize its values to new employees. They are both parts of the “ culture committee” maintained by the company (*Rebuilding the Social Contract at Work: Lessons from Leading Cases*, 1999). The first tool used by Southwest is the “ New City” committee. The purpose of this committee is to go to each new city Southwest serves so as to teach new employees about the values of the company. It facilitates the adaptation of the new employees to Southwest’s culture, so they can learn the Southwest’s ways of doing things. The second tool is called “ Back to Basics” team. This committee sponsored an essay competition to describe what makes Southwest successful. The team chose a series of essays that were integrated into a book with an accompanying video that is given to every new employee. One important thing is that people of these committees are all volunteers working on their own time.

CONCLUSION

This report allowed to understand the impact of a strong corporate culture and its relation to company performance. The case of Southwest airlines shows a company with a solid commitment to its employees. The company offers the same respect to its employees as it does to its customers. The mission of Southwest airlines is unique in the fact that it recognizes the importance of its employees in the company's strategy, which puts the emphasis on the great customer service and the operational efficiency. In return, the employees show undeniable respect, loyalty and trust. The exact same qualities that Southwest airlines demonstrates. Employees of the Southwest are known for their loyalty, the dedication, the attitude and the innovation. Employees are the factor of distinction between Southwest airlines and the rest of the airline industry.

BIBLIOGRAPHY

Hill, C. W. L and Jones, G. R. (2001) Strategic Management: An Integrated Approach. Boston MA, Houghton Mifflin

Kotter, J. & Heskett, J. (1992). Corporate Culture and Performance. New York, NY: the Free press.

Lauer, C. (2010). Southwest Airlines. Greenwood

Schein E. (1992). Organizational Culture and Leadership. (2nd ed) . Jossey-Bass, San Francisco.

Trompenaars, F. & Hampden-Turner, C. (1997) *Riding the Waves of Culture: Understanding Cultural Diversity in Business* (Second Edition) London: McGraw-Hill.