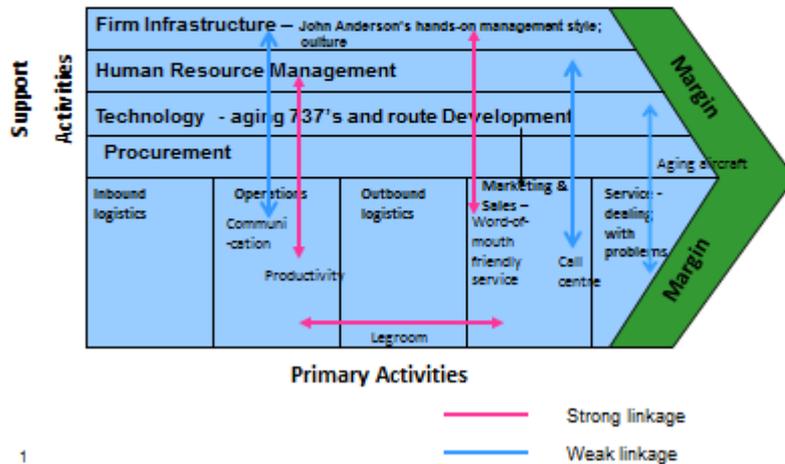


Exercise 1

Value Chain

- Identify the strategically important activities in BestJet's value chain.
- What activities and linkages in the value chain contribute towards competitive advantage? How sustainable are they and can they be imitated easily by its competitors?
- What improvements may need to be made in the next two to three years in its value chain?

The Value Chain –Budget Airline



Value-creating strong linkages:

- Friendly service due to philosophy, impacts word-of-mouth
- Increasing productivity due to learning effects and sharing of intellectual capital
- Enhanced legroom/less seats, could it be an edge it could charge a price premium for?

Firm infrastructure 'Philosophy' advantages are hard-to-imitate, though not being exploited/reflected in ticket price. Legroom not being charged for. A needed-to-play or -win advantage?

Improvements needed to value-destroying weak linkages:

- Communication system between top management and crew creating customer service problems
- 2nd class call centre personnel could 'leak' to customers; should it outsource?
- Aging planes causing technical delays

Route development to attractive places critical to future growth.

Using Grant's (2003) sources of advantages, Service quality/reliability, responsiveness and frequency - having flights when and where people want to fly - are advantages it could focus on to differentiate itself from other carriers.

Exercise 2

Organisational Effectiveness :

- What are the important 7S factors, or linkages between them, that create a source of competitive advantage for BestJet? Can they be copied?
- Are all the 7S factors aligned?
- What 7S changes may need to be made over the next two to three years?
- Summarise the most significant issues arising from the above analysis and assess the extent to which the problems can be resolved.

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Strategy

There are signs that BestJet is 'stuck in the middle' in terms of **Porter's generic strategies**. BestJet seems to be eroding some of its differentiation strategies by not resolving operational problems. In the rest of the 7S's the extent to which each of the elements are consistent with either a low cost or a differentiation strategy can be assessed. The exploration of the other S's can also examine the consistency with its fast growth strategies of market penetration based on Edinburgh and market development and market penetration based on Stockholm and other Nordic countries.

The strategy might be confirmed by the passenger comments but there are negative views as well. See the Passenger survey in the Case Study, Exhibits 4 and 5. Many of the issues which arise in the analysis of the other 6S's are associated with growing fast.

Structure

BestJet has only three layers in the hierarchy. The top management (6 managers) the functional management layer (22) and an ad hoc system of team leaders who facilitate operations. On the one hand it could be argued that every additional layer in the hierarchy adds non-productive people, a cost that the budget sector needs to avoid. On the other hand, whatever the merits of the team based approach, 22 managers to look after 704 employees seems to be spreading management resources and control a bit thin. There could be debate as to whether the addition of another layer of formal supervision would help resolve some of the issues that the organisation was facing or whether this would compromise both the values and the low cost model to too great an extent.

The structure mitigates against career development or promotion opportunities. Some students may argue that the possibility to work in project teams and be rewarded for this makes up for the lack of promotion opportunities to an extent. Others may not see this as enough. "The Scandinavian side does not seem to be as well managed as the UK operation," also raises some interesting issues as to the extent to which the UK organisation should be replicated in Sweden and whether the failure to do so has led to the above comment.

Systems

The following systems could be considered: reward, communication, continuous improvement, IT, support and the job rotation system, i.e. the system by which staff are allocated to duties, shifts and stand by.

There are negatives from the customer and passenger comments:

"Suggestions for improvement are not always acted on" (continuous improvement system) - is this also a symptom of over-stretched management? "Communication about changes and new developments doesn't always reach us quickly. Passengers seem to know before us." This comment could arise because of a failure in the communication system or be also associated with an over-stretched management.

"You never know where you are going to be working. As a qualified male crew cabin member, on some stand by days you can be sitting at home, on others you can be flying, on others you can be on check-in and sometimes you can be helping with the baggage." (rostering system issues)

"We don't always tell customers what is happening and this can make them angry, rude and aggressive." This seems to be a communication system failure, though this may be a symptom of either de-motivated staff (staff may be basically sick of having to deal with operational problems) or a lack of empowerment to deal with problems and issues. There were also customer comments that may be associated with these issues. It could also be associated with a lack of training, a lack of confidence, or that the staff involved in these incidents may be employees of sub-contracted service providers. "It was a shambles at Pisa. BestJet staff did not seem to know what was going on and they did not seem to be trained to deal with a whole crowd of angry passengers."

"Our computer systems don't seem to have been so robust recently." It is always worrying to hear this in a business that relies so much on its IT systems, though there are clearly positive aspects mentioned in the case about the company's IT system.

There seem to be reward system issues - "The pay differential for senior cabin crew is not large enough". "There is little opportunity for career development. Where do we go from here?"

There is mostly positive feedback about the job rotation system and the project team approach. "I like working with the same team. We really get on and passengers really seem to benefit." "I like the principle of job rotation. It means not having to work on the same job all the time. There is always some variety and it makes me see and feel part of the whole organisation." "I really enjoy being part of the team that created the new cabin service. I felt that I contributed to an exciting new development." The next comment suggests that the fast growth of the organisation may be creating some difficulties in sustaining these work systems.

"There is not time anymore to participate in project teams and committees. I liked that part of the job.

Style

The style of the organisation is closely related to the philosophy, mission and shared values of the company. The key question is whether the style remains consistent with these elements and some of the following comments suggest that this may not be the case, and that some managers may be finding it difficult to follow the original style and approach as the company has grown. "The top managers seem to have got more remote as the company has grown" "Some of the top managers find it difficult to delegate." "John and the top managers need to get less involved in day to day issues." "Clearly John tries to keep it up as the following comment shows, "Everyone receives a card and present from John on their birthday." The style and values of the organisation seems to be consistent with a low cost airline - frugality, informality and simplicity.

Skills

Little detail given in the case.

Staff

There are comments that suggest poor morale and dissatisfaction among the staff. "The worst thing about the job is that they keep changing my shifts. This new rostering system may be saving them money, but it makes things more difficult for us." "The worst thing about the job is the night flights."

But there are some positives: "We are lucky that we seem to get on with each other. We tend to socialise together." "I really like working with passengers. It gives be a great buzz to see how they respond to excellent service."

Shared values

Central to the vision of the company has been to build a set of shared values that deliver the promise to employees and customers. There are issues whether employees ever, or still, bought (buy) into these shared values.

"The top managers seem to have got more remote as the company has grown."

"I still really like the team working (there was a number of similar responses)."

"The share option scheme is a great idea. It really makes me feel part of the company."

"John still seems to know everyone's name."

"The baggage handlers are treated as second class citizens."

Overall it could be argued that much of the philosophy of what John and the management team were trying to pursue was associated with a hard to replicate competitive advantage based on the harmony and consistency between the 7S factors. As the above analysis has shown there are inconsistencies and everything is not in harmony or consistent. The key question is whether these can be brought back into line, and how management should go about this task.

Exercise 3

Core Organisational activities:

- Critically assess BestJet's business functions, including human resource management
- From the above, summarise the implications for strengths and weaknesses of the business

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Leadership & management

Strengths:

Philosophy

John's 1st name basis with employees

Weaknesses

Hands-on style of John

Increasing remoteness of management team

Lack of communication of priorities to the workplace

Management-by-dithering?/decision-making system

Issues: Three levels of management for 700+, sufficient? Increase delegation? COO? Aggressive enough?

HR

Strengths:

Employees as shareholders,
Friendliness
Team working
Job rotation

Weakness

Lack of capacity
Progression due to flat structure

Issues: Job rotation vs. cookie cutter type jobs to speed up recruitment and training?

Operations

Strengths

Employee retention
Increasing productivity

Weaknesses

Aging planes
Plane capacity
Rotation system
Fault recovery
Load factor - see marketing

Issues: Are we able to afford short term costs to fix operations and lower costs and improve service quality in the medium to long term?

Marketing

Strengths

Image

Word-of-mouth

Customer loyalty

Weaknesses

Decreasing marketing costs

Route development

Issues: 'Scotishness' something to exploit?

	Importance High, Medium, Low	Position relative to the competition Good, average, weak
Flexibility	Medium	Not enough information but decreasing re: technical faults
Technology	Medium	Weak
Quality	High	Good
Speed	n/a	
Cost	High	Average?
Reliability	High	Not enough information but decreasing
Responsiveness	Medium	Not enough information but decreasing
Dependability	High	Not enough information but decreasing