

Perspective Management

Roll No.

Total Pages : 04

PM 01

MARKS : 30

DURATION : 2 HOURS

Total Questions : 6

INSTRUCTIONS :

1. Question 1 and 6 are compulsory.
2. Attempt any 2 questions from Question 2 to Question 5.
3. Q 1 and 6 carry 09 marks each. All other questions carry 06 marks.
4. Answer to the point and write legibly.

Q 1

Read the case study below and answer the questions that follow.

Having Fun at Southwest Airlines

The U.S. airline industry experienced problems in the early 1990s. From 1989 through 1993, the largest airlines, including American, United, Delta, and USAIR, lost billions of dollars. Only Southwest Airlines remained profitable throughout that period. CEO and cofounder Herb Kelleher pointed out that "We didn't make much for a while there. It was like being the tallest guy in a tribe of dwarfs." ¹ Nevertheless, his company had sales of \$3.8 billion in 1997, an increase over 1996 of 12 percent, and profits of \$317 million. This is particularly noteworthy since Southwest is not a nationwide air carrier; 85 percent of its flights are under 500 miles. ² How did a little airline get to be so big? Its success is due to its key values, developed by Kelleher and carried out daily by his 25,000 employees. These core values are humor, altruism, and "luv" (the company's stock ticker symbol). ³

One of the things that makes Southwest so unique is its short-haul focus. The airline doesn't assign seats or sell tickets through the reservation systems used by travel agents. Many passengers buy tickets at the gate. The only food served is peanuts or crackers. But passengers don't seem to mind. In fact, serving Customers (at Southwest, always written with a capital "C") is the focus of the company's employees. As the Executive Vice President for Customers, Colleen Barrett, said, "We will never jump on employees for leaning too far toward the customer, but we come down on them hard for not using common sense." ⁴ As Fortune magazine summarized, "treating the customer right is a lot easier when employees are treating one another that way." Southwest's core values produce employees who are highly motivated and who care about the customers and about one another.

One way in which Southwest carries out this philosophy is by treating employees and their ideas with respect. Executive Vice President Barrett formed a "culture committee," made up of employees from different functional areas and levels, who meet quarterly to come up with ideas for maintaining Southwest's corporate spirit and image. All managers, officer, and directors are expected to "get out in the field," meet and talk to employees, and understand their jobs. Employees are encouraged to use their creativity and sense of humor to make their jobs and the customers' experience more enjoyable. Gate agents, for example, are given a book of games to play with waiting passengers when a flight is delayed. Flight agents might do an imitation of Elvis or Mr. Rogers while making announcements. Other have jumped out of the overhead luggage bins to surprise boarding passengers. ⁵

CEO Kelleher knows that not everyone would be happy as a Southwest employee, however: "What we are looking for, first and foremost, is a sense of humor. Then we are looking for people who have to excel to satisfy themselves and who work well in a collegial environment." He feels that the company can teach specific skills but a compatible attitude is most important. When asked to prove that she had a sense of humor Mary Ann Adams, hired in 1997 as a finance executive, recounted a practical joke in which she turned an unflattering picture of her boss into a screen saver for her department ⁶.

To encourage employees to treat one another as well as they treat their customers, departments examine linkages within Southwest to see what their internal "customers" need. The provisioning department, for example, whose responsibility is to provide the snacks and drinks for each flight, selects a flight attendant as "customer of the month." The department's own board of directors makes the selection decision, as well as other managerial decisions, for the provisioning department. Kelleher and Barrett are invited to these board meetings, and both feel that it is important to attend. Other departments have sent their internal "customers" pizza and ice cream. Employees write letters commending the work of other employees or departments, and these letters are valued as much as those from customers. When problems do occur between departments, the employees work out solutions in supervised meetings.

Employees exhibit the same attitude of altruism and "luv" (Southwest's term for its relationship with its customers) to other groups as well. Nearly 25 percent of Southwest employees volunteered their time at Ronald McDonald Houses throughout Southwest's territory. When the company purchased a small regional airline, employees personally sent cards and company T-shirts to their new colleagues to welcome them to the Southwest family. They demonstrate similar caring to the company itself. As gasoline prices rose during the period of the Gulf War in the early 1990s, many of the employees created the "Fuel from the Heart Program," donating fuel to the company by deducting the cost of one or more gallons from their paychecks.

Acting in the company's best interests is also directly in the interest of its employees. Southwest has a profit-sharing plan in which approximately 15 percent of net profit is distributed to employees and unlike many of its competitors Southwest consistently has profits to share. Employees also own 13 percent of Southwest stock. Although 80 percent unionized, the company has a history of good labor relations. In fact, the firm and the pilots union have recently agreed to an unusual 10-year contract under which the pilots will receive stock options to buy millions of shares, as well as profit sharing, but will receive no wage increase during the first 5 years. ⁷

According to Harvard University professor John Kotter, setting the standard for low costs in the airline industry does not mean Southwest is "cheap." "Cheap is trying to get your prices down by nibbling costs off everything... [firms like Southwest Airlines] are thinking 'efficient', which is very different ... They recognize that you don't necessarily have to take a few pennies off of everything. Sometimes you might even spend more." ⁸ By buying one type of plane — the Boeing 737 — Southwest saves both on pilot training and on maintenance costs. The "cheap" paradigm would favor used planes, Southwest's choice results in the youngest fleet of airplanes in the industry because the model favors high-productivity over lower expenses.

By utilizing its planes an average of 11 hours and 20 minutes each day, Southwest is able to make more trips with less planes than any other airline. Its ground turnaround time of 17 minutes is the best in the industry. Not serving meals and cooperation from its ground and flight crews make this amazing statistic possible.

Keeping labor costs low is one of the ways in which Southwest maintains its competitive advantage. Employees' productivity is higher than that of any other airline. As of 1994, the company had won its eleventh "Triple crown" for being number one in the industry in on-time performance, baggage handling, and customer satisfaction. However, management also worried about the effects on morale of limited opportunities for promotion. The company has created "job families" with different grade levels so that employees can work their way up within their job category. However, as Executive V.P. Barrett, notes, "some jobs are worth only so much money," and after five or six years employees begin to hit the maximum for their job category.

Southwest's management has other concerns for the future. The addition of Baltimore, Chicago, and Cleveland has increased routes, personnel, and distance. As the company continues to grow, it is becoming more difficult for employees in outlying locations to get to meetings and events at its Dallas headquarters. Recently, problems with delivery of 737 - 700 aircraft from the Boeing Company hobbled some of Southwest's expansion plans.

Another issue is how to maintain the culture of caring and fun while expanding rapidly into new markets. Southwest's success has been built with the enthusiasm and hard work of its employees; as CEO Kelleher said, "The people who work here don't think of Southwest as a business. They think of it as a crusade."⁹ Cultivating that crusading atmosphere must be a continuing priority for the company.

1997 Fun Facts:

- Southwest answered 83 million reservations calls
- Southwest served 87.4 million bags of peanuts
- Southwest served 12 million bags of raisins
- Southwest received 105,583 job applications
- Southwest hired 3,006 new Employees
- Southwest utilizes approximately 65.6 million gallons of jet fuel per month
- Southwest has 993 married couples. In other words, 1,986 Southwest Employees have spouses who work for the Company.

Review Questions

- (a) How did Southwest motivate its employees?
- (b) Explain how the "Culture Committee concept has led to maintaining the company's spirit and image?
- (c) What are the principal motivational problems facing Southwest as it continues to expand?

Q 2(a) What are the main steps in the control process? Discuss.

- (b) How would you ensure that the processes in your organization are working as desired? What steps will you take if some units do not measure up to established standards?

Q 3 (a) What are the main types of organizational structure? Show them diagrammatically.

- (b) Give the organization structure of any two retail malls showing the major functions of each incumbent

Q 4 (a) Explain, giving examples the various functions of management.

(b) In a retail scenario, when will you employ expansion strategy for your business with reference to the current economic situation and in which sector?

Q 5(a) What is meant by delegation? How does it differ from decentralization?

(b) As the Manager in charge of your department, how will you decentralize the duties to be carried out by your subordinates? What steps will you take to ensure that there is no dilution of quality?

Q 6 Write short notes on (any three)

- (a) Mergers and acquisitions
- (b) Conflict between line and staff
- (c) Barriers to Communication
- (d) Corporate social responsibility
- (e) Leadership styles