Drastic Transformation Of British Airways
Adaptive Cycle of Resilience

Amir Hossein Zadeh
MSc. Student Information Studies: Business Information Systems
University of Amsterdam

Abstract. This paper displays the major changes British Airways went through during the 12 years (1983-1995) through the scope of adaptive cycle of resilience model. These changes transformed the company from one of the worst loss making firms in to the most profitable one in the industry. With this example the aim is to utilize the adaptive cycle of resilience model to help readers understand why there was a need for change, what kind of changes were introduced, and what were the consequences of those changes, to help managers make better informed decisions.

Keywords: Adaptive Cycle of Resilience Model, Equilibrium, Crisis, New Combinations, Entrepreneur.

Introduction

In early 1980’s British Airways (henceforth BA) was suffering from record breaking losses of £140 million in financial losses (Grugulis and Wilkinson, 2002). To be precise, BA was losing £200 per minute. In 1980 a survey by the International Airline Passengers’ Association indicated that flying with BA should be avoided at all costs. However, by rigorous changes over the 12 years, in 1996 BA became the most profitable airline. This case study will analyze the example of British Airways, with the help of the model adaptive cycle of resilience (henceforth ACR). This will help readers understand the different phases (of ACR) BA went through as the changes were taking place.

1. Adaptive Cycle of Resilience Model

ACR is a model consists out of 4 quadrants (Equilibrium, Crisis, New Combinations, and Entrepreneur) in which a firm positions itself depending on what the firm wants and what the firm can do (Abcouwer & Parson, 2012). These phases can be seen as different stages a firm goes through when implementing changes within the organization as illustrated in Figure 1.

Figure 1. Adaptive Cycle of Resilience Model (2012)

In the first quadrant, Equilibrium, the firm knows which goals to pursue and how to realize them. So in this phase, a firm is quite confident regarding its ability to cope with both internal and external threats (i.e. customer satisfaction and ever changing market environments).
However, when a firm faces external factors which can no longer be ignored, making it hard for the firm to follow in the same direction it has been, then the firm transitions to the second quadrant, Crisis. At this point, a firm is uncertain about its future in the context of what it wants and can do, because of the complexity of the external factors becomes too hard management to deal with.

Once the management understands the state of the situation, it can decide to go in a new direction. This moves the firm in to the third quadrant, New Combinations, where the management considers new strategies to follow, in order to cope with the new environment challenges. In order to do this sometimes, a firm is required to restructure and change the way it used to work.

Lastly, after exploring different strategies, due to limited resources, management makes a decision to pick the most optimal strategy to further develop in. This transition of exploitation takes the company to the fourth quadrant, Entrepreneur, where the strategy is exploited in terms of accumulation of knowledge and experience in order for a company to scale up to a new equilibrium standard.

2. British Airways transformation with ACR Model

To better understand the ACR model, the example of the transformation of BA is used via the ACR model, illustrating the different phases it went through. Looking at the story of BA, Prior to crisis from late 1970s till early 1980s, the company was in an equilibrium phase, following the military culture. Naturally, with financial losses, bad image in public, major increase in inefficiencies due to governmental subsidies, and huge customer and employee dissatisfaction, BA could no longer ignore these internal and external factors. Inevitably, the firm was forced to release its equilibrium state and enter the Crisis quadrant, where the future was looking very uncertain.

Realizing the bleak situation of the firm, Colin Marshall considered dropping the current military culture, and changing the employee attitude to adopting a culture aimed towards customer care as a priority focus point. Next to being customer focused, he considered other options such as being cost conscious and eventually making the airline more profitable (John Wiley & Sons Inc., 2004). By doing so, Marshall led the firm from the Crisis quadrant to New Combinations.

In the New Combination quadrant, Marshall carried out both structural and cultural changes, introducing education and training programmes such as Putting people first (Calder, 2012), unveiling new fleet and new uniforms, spending more to improve airline image, laying off redundant staff members, decentralizing of IT systems, etc. By taking these decisions, the firm transitioned in the Entrepreneur quadrant.

In this quadrant, Marshall decided to improve on cultural changes by introducing more educational and training programmes aimed towards improving customer and employee satisfaction, and better performance at work. These customer service oriented programmes were eventually spread through the whole organization (from junior to senior positions). By implementing these changes the company transitioned back in to state of equilibrium and became the most profitable airline.
3. Conclusion & Recommendation

The Case study illustrated how firm transitions through the four quadrants of ACR model by using the example of British Airways as the firm went through drastic transformations to change its situation from being the worst to one of the best airlines in the world. The ACR model indicated how the firm got to crisis grid by maintaining its military culture, as this culture had to change to a more customer oriented one. Thus, both structural and cultural changes (educational and training programmes) were introduced by Marshall, which eventually helped reverse the terrible position the firm was once in.

Based on this example, it is recommended to utilize a pro-active rather than a reactive approach by anticipating these crises and looking at them as opportunities to grow rather than being in a bad position and be forced to change just to survive the crisis.

4. Reflection

The case study helped me understand the ACR model better, just by implementing an example of a company in it.

References


