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**Strategic Analysis of British Airways with Focus on Human Resource**

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## STRATEGIC ANALYSIS OF BRITISH AIRWAYS

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## **British Airways Strategic Analysis based on Human Resource Perspective**

The aviation industry today is in a critical state that is characterized by evolving consumer demands, dynamic global economic complexities, and a growing trend for eco-conscious practices. British Airways was established in 1974 as the flag carrier of the UK (MSA, 2021). It is a significant global airline that navigates through a complex web of broad and nuanced environmental aspects.

### **Mission and Vision Statements**



BA's mission statement reads, "*To ensure our customers fly confidently that together, we are acting responsibly to take care of the world we live in*". This means it operates with a steadfast mission to provide exceptional air travel services globally. In the same way, its vision statement reads, "*To become the world's most responsible airlines with developed guiding principles that describe what we are doing to achieve this goal*" (MSA, 2021). Through the above statements, British Airways holds a solid emphasis on reliability, customer satisfaction, and innovation with a primary aim of connecting people, cultures, and businesses globally. It envisions itself as a Premier global airline that aspires to set industry benchmarks in terms of top-notch quality, services, and operational exceptional conditions. In the context of Human Resource Management, British Airways is at the forefront ensuring an equilibrium between staff and dynamic service needs. In

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this sense, BA operates by ensuring its staff receive regular training, development, and skill improvements is a notable attribute. In addition, there is a clear work schedule and structure that helps one balance their work and personal life for the staff's well-being. This paper analyzes the strategic management of British Airways using tools like PESTLE, Porter's, 5 forces, and the VRINE model, all within a Human Resource Management perspective. From the core principles engulfed within BA's mission and vision statements, there is a prominent view in worldwide leadership. While facing competitive pressures and environmental imperatives, British Airways navigates strategic complexities to sustain market leadership.



### Analysis of BA's Environment

#### Macro Environment (Pestel Analysis)

The PESTLE analysis is a tool that helps organizations understand how outside factors influence their business. It looks at political, economic, social, technological, environmental and legal aspects to give a broader view of the impact on the company (Gerts, 2021). These are as follows:

Worksheet 1: Broad (MACRO) environmental analysis (PESTEL)

Environmental factor	Events, trends, and possible developments for the foreseeable future	Potential significance for the focal organisation
Political /geopolitical & regulatory	Brexit, political uncertainties, regulatory changes	Significant impact on flight routes, operational regulations, market access, compliance complexities
Economic (national and international)	COVID-19 pandemic, air travel recession	Substantial decline in passenger numbers, route suspensions, financial implications
Social/cultural phenomena	Eco-friendly travel trends, environmental concerns	BA's adjustments in strategies, introducing carbon offset programs, investing in eco-friendly aircraft
Technological developments	Digitalization, AI-driven solutions, biometric technologies	Enhanced operational efficiency, improved customer experience
Environmental (ecological) issues	Sustainable aviation fuels, carbon offset initiatives	Commitment to environmental sustainability, investment in greener aircraft models
Legal issues	General Data Protection Regulation (GDPR), data breaches	Compliance challenges, legal consequences, emphasis on data security measures
Other factors not adequately by the above categories		

FIG 1 PESTEL Analysis

## **1. Political**

Political factors have a significant influence on any company for British Airways, factors that significantly affect it include the Brexit situation. Before Brexit, British Airways operated flights. We saw the EU under the open skies agreement. This allowed BA To operate freely within the EU member states. After its exit in 2016, there were considerable uncertainties about flight routes, operational regulations, and Euripides market access. As a result of this transition, additional complexities were introduced, that potentially impacted the airways, operational efficiency. There was then a need that required substantial resources for the end opposition and compliance with their current post-exit regulations. Negotiating, through the HR department, new air service agreements and compliance that align with evolving regulations was a necessity that significantly influenced the airline's operations strategist and incurred additional costs.

## **2. Economic**

The economic sector witnessed a dressy, recession in air, travel due to the COVID-19 pandemic, which deeply impacted British Airways and the aviation industry at large. 2020 saw the world coming to a standstill, including travel, restrictions, widespread lockdowns, and an overall stay-at-home regulation. While these regulations, aimed at curbing the disease, they led to a diminished consumer confidence that's culminated in a substantial decline in passenger numbers. Consequently, BA suspended several routes leading to a significant financial impairment.

## **3. Social**

Companies need to adapt to evolving societal trends to keep up with growing demands (Gerts, 2021). BA adjusted its strategies to favor eco-friendly travel options, an upcoming travel trend. The airline adopted proactive measures by introducing carbon offset programs. In

addition, the company also invests in more fuel-efficient aircraft aimed at meeting increasing environmental passenger concerns. For example, to reduce carbon emissions and carbon footprints, BA embraced greener aircraft models like Airbus A350.

#### **4. Technological**

In terms of technological progress, British Airways employs technological advancements to streamline operations and enhance customer experiences. There is much investment in digitalization and Artificial Intelligence-driven solutions that transform services. For instance, including the implementation of biometric technologies for smoother check-ins and user-friendly mobile apps. These innovations not only boost operational efficiency but also improve overall passenger satisfaction.

#### **5. Environmental**

British Airways has an evident commitment to sustainable practices. As aforementioned, the airline invests in sustainable aviation fuels, explores alternative energy sources, and is actively engaged in carbon offset initiatives. By embracing environmentally conscious approaches and eco-friendly aircraft models designed to reduce fuel consumption and emissions, BA is environmentally conscious. By embracing environmentally conscious approaches and introducing eco-friendly aircraft models, BA demonstrated its dedication to minimizing its environmental impact and fostering a more sustainable aviation industry.

#### **6. Legal**

Legal compliance is a primary aspect of the workability and success of companies. Two years after Brexit, British Airways faced challenges in meeting stringent data protection laws, notably the General Data Protection Regulation (GDPR). In 2018, BA informed more than four hundred thousand staff and clients that there was unauthorized access to their names, dates of

birth, addresses, and banking information. An investigation by the Information Commission Office (ICO) led to a fine of about £20M to the company noting that data privacy is a key issue. The data breach and legal consequences accrued highlighted the urgency for stronger data security measures and the need for strict compliance within BA's operations.

### **Micro Environment (Porter's 5 Forces).**

Assessing a company's ability to generate profits and maintain market positions, especially by examining the competitive forces within a particular industry requires Porter's Five Forces. The framework assesses five key elements influencing a business's strategy and competitive landscape (Alonso, 2023). These are as follows:

#### **1. Threat of new entry**

It is an assessment of the likelihood of new companies entering an industry and competing with established businesses. The new entrants can offer similar services at lower rates. For instance, there is a threat from companies like Ryanair and EasyJet that intensifies competition in the airline industry, impacting established airlines, particularly on short-haul routes within Europe. As such, HR strategies in this case need to align with agility, innovation, and a skilled workforce that can respond to new market entrants.

#### **2. Buyer Power**

Buyer power gauges the influence customers hold in determining prices and services. Online platforms like Skyscanner and Kayak empower customers by enabling easy fare comparison, making them more price sensitive. As a result, BA must offer competitive pricing and appealing deals to retain customers in the competitive dynamic market. For HRs at BA, there needs to be much emphasis on excellent customer service, effective communication, and training programs



that continue equipping its staff to provide exceptional services. There's also the need to have plans in place that help with customer retention and loyalty.

### **3. Suppliers Power**

Suppliers' power measures the influence suppliers have on a company, for instance, aircraft manufacturers, Boeing and Airbus. Dominance by these manufacturers grants them vast leverage, which influences airlines significantly. Exclusive agreements or delays in aircraft deliveries have a substantial impact on BA. This affects BA's ability to expand and manage day-to-day operations effectively. Suppliers have superior authority in these scenarios thereby dictating the course of airlines' strategies and growth direction. Supplier power enhancements happen when British Airways HRMs have contingency plans and a flexible workforce that adapts to supplier-related challenges. Additionally, having strong negotiation skills and collaboration ensures effective communication between suppliers and BA will help mitigate potential supplier disturbances.

### **4. Threat of Substitutes**

It signifies various alternatives clients might consider instead of air travel, which affects flight service demands (Alonso, 2023). For example, short-haul passengers might consider using trains or buses. Having an alternative to using BA presents a significant competitive challenge. To curb this, BA strategically enhances its services by making air travel more appealing and convenient compared to other transport options. For instance, BA focuses on aspects like punctuality, personalized company experience, and top-notch quality amenities. As such, it maintains its appeal and competitiveness to thrive amidst available competition. Identification of substitutes like buses or trains for short-haul passengers underscores HR's need to emphasize the unique value of air travel. Therefore, this strategy enhances employee training and customer retention

ensuring a superior and appealing travel experience compared to other alternatives, thus enhancing customer loyalty.

### **5. Competition Rivalry**

While getting ahead of alternatives works better, competition rivalry examines the intensity level among industry players. For BA, its major competitive landscape includes other major players like Emirates, Lufthansa, and Delta, among other low-cost carriers. As such, there is a need for BA to engage in aggressive pricing strategies and continuous service innovation to differentiate their service from others. Therefore, retaining its market standing demands constant innovation, introduction of new services while enhancing existing ones and leveraging technology that meets evolving consumer preferences. Such measures ensure that BA stays at the forefront of service quality and rendering. In this sense, aggressive pricing strategies and innovative services significantly impact HR's decisions regarding talent acquisition, training, and employee retention.

**Worksheet 2: Industry analysis Porter's 5 Forces Framework**



<b>Sectors</b>	<b>Industry</b>	
	<b>High</b>	<b>Low</b>
<b>Five Forces</b>		
<b>Buyers</b>		
<ul style="list-style-type: none"> <li>● Concentration of Buyers relative to suppliers <b>(Industry) is</b></li> <li>● Volume of Purchase <b>is</b></li> <li>● Product Differentiation <b>is</b></li> <li>● Threat of Backward integration by Buyers <b>is</b></li> <li>● Buyer's Knowledge about supplier's <b>(industry) cost structure is</b></li> <li>● Percentage of total's buyer's cost spent on the industry's output <b>is</b></li> </ul>	<ul style="list-style-type: none"> <li>● HIGH</li> <li>● LOW</li> <li>● HIGH</li> <li>● LOW</li> <li>● HIGH</li> <li>● LOW</li> </ul>	
<b>Suppliers</b>		
<ul style="list-style-type: none"> <li>● Concentration relative to industry <b>is</b></li> <li>● Availability of Substitute products <b>is</b></li> <li>● Importance of the industry to the Supplier <b>is</b></li> <li>● Differentiation of the Suppliers products/services <b>is</b></li> <li>● Switching costs for the industry are</li> <li>● Threat of Forward integration by the supplier <b>is</b></li> </ul>	<ul style="list-style-type: none"> <li>● -</li> <li>● LOW</li> <li>● HIGH</li> <li>● -</li> <li>● HIGH</li> <li>● HIGH</li> </ul>	
<b>Substitutes</b>		
<ul style="list-style-type: none"> <li>● Profitability of Industry Producing Substitute <b>is</b></li> <li>● Rate of Improvement in Price-Performance Relationship of Substitute product <b>is</b></li> </ul>	<ul style="list-style-type: none"> <li>● LOW</li> <li>● LOW</li> </ul>	

FIG 2.1 Porter's 5 Forces

<p><b><u>New Entrants</u></b></p> <ul style="list-style-type: none"> <li>● Economies of Scale <u>are</u></li> <li>● Product Differentiation <u>is</u></li> <li>● Capital Requirements</li> <li>● Switching Costs</li> <li>● Incumbent’s Control of Distribution Channel <u>is</u></li> <li>● Incumbent’s Proprietary Knowledge <u>is</u></li> <li>● Incumbent’s access to raw materials <u>is</u></li> <li>● Access to Government Subsidies <u>is</u></li> </ul>	<ul style="list-style-type: none"> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> </ul>
<p><b><u>Rivalry</u></b></p> <ul style="list-style-type: none"> <li>● Number of Competitors <u>are</u></li> <li>● Industry Growth <u>is</u></li> <li>● Fixed Costs <u>are</u></li> <li>● Storage costs <u>are</u></li> <li>● Product Differentiation <u>is</u></li> <li>● Switching Costs <u>are</u></li> <li>● Exit Barriers <u>are</u></li> <li>● Strategic Stakes <u>are</u></li> </ul>	<ul style="list-style-type: none"> <li>● HIGH</li> <li>● LOW</li> <li>● HIGH</li> <li>● LOW</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> <li>● HIGH</li> </ul>

FIG 2.2 Porter’s 5 Forces

### Internal Factors (VRINE Framework)

The success of any company demands evaluation of internal factors impacting its growth. Thus, the VRINE framework evaluates these internal factors in sections of Value, Rarity, Inimitability, Non-Substitutability, and Exploitability (Zimuto and Zvarimwa, 2022). The framework thus assesses BA's internal resources and capabilities regarding its workforce and organizational competence.

#### 1. Value

As a Human Resource Manager at BA, one’s main role is to develop a workforce that adds vast value. The strategies to implement in this situation include comprehensive training programs that

ensure BA employees have the necessary skills that align with top-notch professionalism.

Investing in employee development ensures every customer interaction positively impacts their airline experience thus enhancing their reputation and client loyalty.

## **2. Rarity**

This aspect depicts talent uniqueness and scarcity of skills within a company. The Human Resource Department focuses on the identification, nurturing, and retention of individuals who possess specialized skills and expertise particular to the aviation industry. The skills could include extensive flight hours for pilots, and technical personnel proficient in aircraft maintenance or aviation regulations and safety procedures. Therefore, the primary aim is gathering and retaining rare talents within the industry to be part of BA's workforce. The rare talents thus contribute significantly to the airline's operational safety standards and service quality. Access to these rare and valuable skills enhances BA's ability to deliver exceptional services, thus ensuring a superior customer experience and strengthening its position in the industry.

## **3. Inimitability**

The third element concerns the ability of BA to foster organizational culture practices that make imitation and replication by competitors difficult. For BA, the HR ought to cultivate an inimitable environment that establishes distinct organizational norms, values, and work practices setting British Airways apart from its competitors. HR initiatives are geared toward creating an atmosphere where employees feel encouraged to think creatively, collaborate effectively, and prioritize client satisfaction.

#### **4. Non-Substitutability**

British Airways HR needs to have sustainable efforts that retain a workforce and thus hold indispensable roles critical to British Airways' operations and success. Careers like pilots, cabin crews, technical experts, and even managerial positions need to be filled by people the expertise crucial for the airline's success. It is therefore the HR's job to ensure the recruitment and retention of personnel is of people who will propel the airline in terms of professionalism and quality service.

#### **5. Exploitability**

This means British Airways' ability to effectively utilize and leverage internal resources and capabilities for strategic advantage. This means using the airline employee strengths and skills to be better than its competitors. It will involve workforce planning by HR, best talent management, and enhancing employee-employer relationships, which improve productivity and innovation. Noting that the aviation industry is very dynamic, nurturing a culture of adaptability and agility among its staff. This spirit enables them to effectively respond to dynamic market trends and technological advances. This ensures maximum capitalization on BA's Human Resources in terms of their operational efficiency, service quality, and position in the industry.

Worksheet 3: Resources and Capabilities analysis – VRINE Framework

No.	Resource(s)	Valuable	Rare	Inimitable	Non-substitutable	Exploitable	Impact on Competitive Advantage
1	Technology infrastructure	✓	✓	✓	✓	✓	High
		The technology infrastructure at British Airways is valuable, aiding in operational efficiency and customer service.	It's rare in terms of its scale and complexity, contributing significantly to BA's competitive edge.	Cannot be imitated due to substantial investment	Highly professional thus not easy to replicate.	investments in technology and innovation help BA exploit its infrastructure for operational excellence and customer satisfaction.	High—robust technology infrastructure significantly enhances operational efficiency, customer service, and data management
2	Human resource training program	✓	✓			✓	
		enhance employee skills and knowledge, contributing to better service quality.	Personalised and comprehensive training programs for BA are not widespread giving it a competitive advantage			Regular adaptations in training methods empower BA that further improves employee expertise.	
3	Skilled workforce	✓	✓	✓	✓		High
		Top tier skilled workforce ensures customer satisfaction	A rare professional expertise that is highly dedicated	Accumulated experience gives an inimitable service	Cannot substitute BA's service		High-highly skilled workforce at BA ensures superior service quality and operational excellence, providing a significant competitive advantage.

FIG 3.1 Resources Analysis VRINE Framework

No.	Capabilities	Valuable	Rare	Inimitable	Non-substitutable	Exploitable	Impact on Competitive Advantage
1	Research capabilities			✓ British Airways' specific research capabilities might be challenging for competitors to replicate.			
2	Extensive flight hours	✓ Experienced pilots contribute to safe and reliable flights, ensuring customer satisfaction.	✓ Pilots are less common and more valuable	✓ challenging to replicate the experience and expertise of BA's pilots.	✓ expertise of experienced pilots is non-replaceable.	✓ BA can further leverage this expertise for operational excellence and safety.	High High— <u>expertise</u> and experience gained by pilots through extensive flight hours enhance safety, reliability, and operational efficiency
3	Superior customer service skills	✓ directly impacts customer satisfaction and brand loyalty, essential for retaining clientele			✓ Exceptional customer service is pivotal for maintaining customer loyalty	✓ Continuous training and emphasis on service excellence ensures quality and professionalism	

FIG 3.2 Capabilities Analysis VRINE Framework



### **British Airways Key Issues:**

The airline industry is a dynamic market that demands adaptability to trends and client demands. As such, the three key issues that might affect British Airways as part of the airline industry are environmental sustainability, technological disruptions, and changing market trends. To begin with, environmental sustainability is a pressing issue for the airline industry (The Guardian, 2023). There is an escalated pressure to reduce carbon footprints through limited carbon emissions. As such, adopting environmentally conscious practices is not only beneficial to nature but also boosts BA's green label image making it quite favorable to clients. To combat large carbon footprints, BA could invest in more fuel-efficient aircraft or indulge in the making of alternative eco-friendly energy sources. Taking a piloting step towards a green label company will improve the airline's image, and viability, and align itself toward achieving the set goals.

Similarly, achieving environmental sustainability will need strategies like flight route optimization and reducing the use of single-use plastics on board. As part of the HR department, comprehensive training on how to reduce, reuse, and recycle is mandatory. Professionalism mandates comprehensive knowledge of all aspects by all staff members, regardless of their position. Utilizing these strategies sets apart BA as an eco-conscious airline, a growing trend today. Secondly, the evolving landscape of consumer behavior poses a significant threat to airlines. There is an increased demand for personalized travel and convenience, which means BA ought to recalibrate its service offerings and operations. To ensure client satisfaction and flexibility (Fentress, 2022), BA needs to have a segment that customizes its clients' travel experience. To achieve these, customized flight or loyalty packages meet individual travel needs. There also needs to be a seamless and convenient experience when booking and after-flight services. Besides, the HR department in conjunction with top management departments needs to

formulate and adapt agile business models that will swiftly respond to evolving consumer behaviors. Investing in digital technology, mobile applications, and Artificial Intelligence that creates a seamless client experience would significantly suffice in this situation.

Finally, technological disruption is a severe issue in the airline industry. In an era where bookings, delays, and cancellations are done through technology, having any disruptions is catastrophic, leading to a loss of revenue. Navigating this issue demands BA to prioritize investments like AI, biometrics, and data analytics to help in predicting maintenance and optimization. Knowing beforehand reduces downtime and enhances efficiency and productivity. Biometric technology like facial recognition for check-ins and boarding will streamline passenger journeys. Understanding consumer trends will need leveraging data analytics. Additionally, collaborating with tech firms and academia could facilitate integrating cutting-edge technologies into BA's operations. This also leads to HR's emphasis on extensive training on these technologies to ensure effectiveness in their usage.

### **Strategic Options for Growth**

By aiming to broaden their services, BA needs to cater to different types of travelers. There is a need to offer diverse options that meet the needs of all passengers. For instance, for short-haul flights, BA could introduce more affordable services that compete directly with low-cost airlines or alternatives. The move will target passengers prioritizing lower prices that attract those choosing cheaper travel options. In the same way, BA could provide top-notch services for longer flights that reduce fatigue and feelings of jet lag. This means giving all long-haul passengers luxury, comfort, and quality prestigious service (Fentress, 2022). Ensuring that both short and long-haul passengers are exclusively catered to through luxurious and budget-friendly trips respectively, BA will cover a wider range of consumers. Similarly, with technological

advancements, digital transformation is pivotal in enhancing customer experience and operational efficiency. Expanding digital services involves a comprehensive overhaul of BA's technological landscape, primarily focusing on augmenting its mobile application and leveraging AI technologies to personalize customer interactions.

Another strategic option would be enhancing the mobile applications by making BA's user interface more user-friendly, and feature-rich. This allows passengers to book, access real-time flight information, cancel, and or personalize their travel experience seamlessly. By implementing AI-powered solutions, they will integrate predictive analytics delivering tailored services and recommendations based on individual travel behaviors and preferences (Newton, 2023). Not only will it ensure client satisfaction. Automating several backend functions by use of AI will minimize manual interventions and this reduces errors.

The major tasks performed by the Human Resource Department lie in recruiting the best talent and career skills that propel a company toward success. Additionally, it ensures a great employer-employee relationship. This means the external and internal environments work in sync to achieve British Airways' goals, mission, and vision. To become the leading airline industry that resonates with customer satisfaction, innovation, and reliability. As such, the three frameworks give a comprehensive view of BA's stand in the airline industry. Therefore, on the one hand, BA needs to adopt an integrated service model that combines cost-effective options for short-haul flights to compete with low-cost carriers. On the other hand, it also needs to preserve premium services for long-haul routes. An emphasis on digital innovation and personalized experiences will align with the evolving consumer demands thus enhancing operational efficacy. The blend of affordability and luxury secures BA its competitive advantage, thus appealing to a broader client base.

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