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Social Studies

THE CARIBBEAN AIRLINE INDUSTRY
IN A RESTRUCTURED INTERNATIONAL AIRLINE INDUSTRY
Strategic Human Resource Management
as an option for achieving Competitive Advantage

A Research Paper presented by

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List of Abbreviations

AA	- American Airlines
AC	- Air Canada
ACAWU	- Aviation, Communication and Allied Workers Union
ASA	- Airline Superintendents Association
ASM	- Available Seat Miles
BA	- British Airways
BOAC	- British Overseas Airways Corporation
BSAA	- British South American Airways
BWIA	- Trinidad and Tobago (BWIA International) Airways Corporation.
CAB	- Civil Aviation Board
CARICOM	- Caribbean Community and Common Market
CATTU	- Communication and Transport Workers General Trade Union.
CRS	- Computer Reservations Systems
EC	- European Community
ECJ	- European Court of Justice
HR	- Human Resources
HRM	- Human Resource Management
IATA	- International Air Transport Authority
ICAO	- International Civil Aviation Organisation
IR	- Industrial Relations
KLM	- Royal Dutch Airlines
LIAT	- Leeward Islands Air Transport
PS	- Personnel Services
SAS	- Scandanavian Airlines
SBU	- Strategic Business Unit
SEA	- South East Asia
SIA	- Singapore International Airways
SHRM	- Strategic Human Resource Management
TALPA	- Trinidad and Tobago Airline Pilots Association
T&T	- (Republic of) Trinidad and Tobago
US	- United States (of America)
UK	- United Kingdom
VFR	- Visiting Friends and Relatives

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PART I

1. INTRODUCTION

1.0. Overview

1.0.1. The World Airline Industry

The airline industry throughout the world has been facing serious challenges as the regulatory environment and pattern of ownership change. Since the late 1970's there has been a trend towards economic deregulation on domestic services and more liberalized control of internationally scheduled air transportation services. This began in the United States and spread internationally, freeing up route entry, allowing pricing flexibility and putting pressure on established airlines to be more efficient. Not many airlines which entered the deregulated market survived; some went bankrupt while others were taken over by established airlines which were able to realise cost savings and gain competitive advantage by having efficient networking systems, controlling labour costs and improving technology and information systems. The industry now resembles an oligopolistic market structure and airlines which are still protected and subsidized at home are finding difficulty operating in the new competitive environment.

1.0.2. Strategic Planning and Management

Strategic management has evolved in business organisations in response to the challenge of the increasingly turbulent environment in which enterprises and their managers exist (Ansoff:1984). The strategic plan is viewed as a blueprint that will guide the firm for an extended period of time with the understanding that a competitive and ever changing business and social environment make continual adjustment inevitable (Mescon et al:1988). The process of strategic planning has allowed airlines to position themselves competitively within the industry and to restructure and integrate their activities to create and sustain competitive advantage. Strategic management is predicated on a dual concern with strategic planning on one hand, and human resource on the other (Fombrun:1983).

1.0.3. Human Resource Management

Loss of competitive advantage has frequently been attributed to problems of cost and technology. The quality of management, associated with the ability to conceive and implement complex and differentiated strategies, which has been taken as implicit, has been rediscovered as a source of competitive advantage and a distinctive quality which is an important determinant of the net outcome of business contests (Doz and Prahalad:1988). Human resource management (HRM) has come into focus in response to the changing social environment, particularly in large enterprises where changing skill requirements, global competition and corporate restructuring necessitated different ways of managing the Human Resources. The human resource system can constrain or motivate organisational behaviour; strategic planning calls for the systematic mobilization of human resources in order to achieve goals and strategic human resource management (SHRM), the integration of HRM into the strategic plans, gives an organisation an added advantage in meeting the challenges before it. (Fombrun:1983)

1.1. The Problem - the Caribbean Airline Industry

The airline industry of the Caribbean Community (Caricom) area¹ which has operated with government regulatory protection and subsidies, has been forced to face the challenges as the industry opens up to competitive elements. Governments of the region, now unable to continue to provide financial support to airlines are insisting that they become commercially viable or are attempting to privatise the operations. This means facing the pressure of competition from extra-regional carriers which are seeking to expand their positions in the global marketplace and which have advantages over small regional carriers in product quality and from

¹ The Caribbean Community and common market (Caricom) was established by the Treaty of Chaguaramas in 1973. This binds the countries of the region to cooperate economically, socially, in their foreign policy and to develop an integrated transport system which would facilitate intra-regional trade and development and multi destinations for tourism. The following countries are members, Barbuda, Barbados, Dominica, Grenada, Guyana, Jamaica, Trinidad & Tobago, St. Kitts & Nevis, St. Vincent, Montserrat and Belize. Haiti and the Dominican Republic are observers while the Bahamas is a member of the community but not of the common market. Airlines of Caricom are, Trinidad & Tobago (BWIA International) Airways Corporation, Air Jamaica Limited, Leeward Islands Air Transport, Caribbean Air Cargo Limited, Trans Jamaican Airlines, Guyana Airways.

economies of scale (fuel, maintenance, fleet acquisition, advertising). To remain competitive, Caricom airlines have had to lower air fares while improving the quality of service and this has meant for them, lower yields² and higher costs.

The airlines in the Caricom region are small, short of capital, and suffer from structural problems such as:

- the nature of the market which is largely the low fare, leisure sector,
- their vulnerability to economic fortunes/misfortunes of other countries, in particular the United States and the United Kingdom,
- their too heavy dependence on traffic from two northern hubs at San Juan (Puerto Rico) and Miami,
- the inadequate airport facilities in the region and
- their route networks which are relatively small and have a high frequency of landings/takeoffs thus increasing the maintenance cycle and hence costs.

In the airline industry there is a convergence of technology as airlines gain access to computer reservations systems, yield management systems, operating leases and by the trend towards common cockpits, engines and components across different aircraft types from the same manufacturer. Cost however, remains a problem particularly in small airlines which operate independently and do not take advantage of opportunities to form alliances, enter into cooperative arrangements or merge so as to position themselves strategically in the industry³.

² Revenue per passenger mile. Figures for 1989 show:
Yield Comparisons in US cents with major competitors
 British Airways Air Canada American BWIA (Caribbean)
 15.8 13.0 12.0 9.5
 Source: BWIA statistics department

³ A merger of all airlines in the Caricom region is a key area of synergy for cooperation among regional airlines and could strengthen the exchange relationships for goods and services between the numerous scattered countries (mostly islands), promote cooperation, eliminate duplication of efforts and achieve certain economies of scale. The national airline of Trinidad & Tobago BWIA, the largest airline in the region has been at the forefront of this quest for one Caribbean Airline but progress has been slow because at the regional level, there is a lack of political will to bring this to fruition.

Some forms of cooperative agreement exist among Caricom airlines and there are plans for closer cooperation between BWIA and LIAT, but in general they operate independently, protective of their boundaries and not capable of fully utilising their route rights available. Efforts to merge into one regional airline have produced no concrete results and some of the airlines have begun to pursue their own independent plans. Trinidad & Tobago (BWIA International) Airways Corporation (BWIA), the largest and major airline in the region has formulated strategic plans which outline how it would position itself in the international environment, and how it would structure its operations in order to gain competitive advantage. These include in the short term, securing a strategic partner so that it could achieve certain economies of scale and reduce costs and in the longer term, divestment of shares to Caribbean and local investors. To support its plans the airline has identified, among other areas, the need for a change in the attitude of its personnel from one which exhibit a culture of dependency on government to that of the independence of a private sector company responding to the needs of the market place. Strategic human resource management is therefore a key factor in the implementation of its plans.

1.2. Objectives

The objective of the paper is twofold. First it traces the development in the international airline industry since deregulation policies began, and establishes the importance to airlines of SHRM. Next it examines the operations of BWIA with the aim of determining whether the organisation's human resource management system can facilitate achievement of the organisation's goals and objectives as laid out in its strategic plans. It does so by examining to what extent the human resource management system is strategically integrated into the strategic plans. Other subsidiary issues which will be considered are (if not well integrated) what are the reasons and what must be put in place to ensure a strategic approach to human resource management.

1.3. Significance of the Study

The significance of the study is grounded in the importance of the airline industry to the Caribbean. The prospects for future-oriented efforts of development policy and economic growth lie in the extension of tourism as a main income and foreign currency source of many Caribbean states⁴, increased exports of Caribbean industrial and agricultural products and promotion of economic cooperation and integration.

Due to its geographic, economic and geo-political peculiarities which are manifested by, among other features, a large number of spatially scattered politically independent small island states which depend on efficient links with extra regional economies, air transport plays a key role within the regional transportation system. While air transport services can be provided by external airlines, governments of the region, like most airlines worldwide⁵, find it imperative to have airlines which are headquartered in the region, substantially owned and controlled by nationals. Foreign airlines have previously acted in a manner inimical to the development interests of the region. Additionally, the capability exists within the region for a viable industry and the hard currency earning potential of a regionally owned airline, contributes to the foreign exchange position and gives a cost beneficial support to the governments' thrust in tourism development.

It is expected that the study will highlight the key role of strategic human resource management in organisational development and in developing a regional airline industry which can successfully compete in the international environment and enhance national and regional development.

⁴ Tourism is the most important foreign exchange earning service which the Caribbean sells. 1988 statistics show the following percentages for select countries of exports attributed to tourism:

Antigua and Barbuda - 85%; Grenada - 65%; Montserrat - 75%; Barbados - 40%; Jamaica - 40% (Brotherson:1990).

⁵ Traditionally all countries apply national ownership rules although levels differ. The normal level is 25% but there is a limited number of special cases of joint ownership, e.g. SAS and Air Afrique. Although equity investment in carriers in other countries have increased in order to cement commercial relationships or create stronger multinational links, in general foreign control is opposed.

1.4. Limitations

While changes in the international environment are affecting the entire airline industry in the Caribbean, time and constraints would not allow for a study of how each airline in the region would be affected. Thus the study is limited to the operations in Trinidad and Tobago of BWIA which has gone furthest in positioning itself strategically to meet the challenges. It is acknowledged that HRM is but one of a number of options (others include marketing techniques, computer reservation systems) available to an airlines to enable it to gain competitive advantage in the market place. The paper proceeds on the assumption that SHRM is an integral part of any strategic option pursued.

1.5. Sources of Data and methodology

The paper is structured into two parts. Part one has three sections. It examines the international airline industry as the changing market structure (as a result of deregulation policies) impacted on organisation conduct and market performance. It looks within the corporate infrastructure at the strategic behaviour of organisations as they adjusted to the environment, and reviews some strategic planning and HRM models and identifies SHRM as one strategic option with which an organisation can gain competitive advantage.

Part two is a study of BWIA, its strategic plans for the period 1989 - 1992 and its HRM system in the context of models presented in part one, analyses the existing system, draws conclusions and forwards some recommendations for the airline.

Data was obtained from having extensive discussions with relevant persons within the organisation (Managing Director, HRM and IR specialists, Corporate Managers, some line level management staff) officials of the trade union and the Air Transport Licensing Authority of Trinidad & Tobago. Discussions were informal and intended in general to obtain information about the regulatory environment, the organisations strategic plans at all levels and its human resource management programme. These primary sources were supplemented by the author's own experience having worked in the organisation for nine years (3 years in Personnel Department, 6

years in Industrial Relations), and official organisation documents such as strategic plans, policies and procedures.

Secondary data was obtained from libraries in the Netherlands, London and Trinidad and Tobago on strategic planning, human resource management and strategic approaches to human resource management. Much of the information concerning other airlines was obtained from industry journals.

2. STRUCTURAL CHANGES IN THE INTERNATIONAL AIRLINE INDUSTRY

2.0 Overview

Governments have dominated and subsidised the airline industry since its beginning in the early years of this century. Over the last twelve years, the trend has been for government to withdraw from its operations by implementing deregulatory/liberalisation and privatisation policies. This has resulted in a restructuring of the operating environment and forced airline management to employ far different corporate strategies from what existed under government involvement.

Deregulation and privatisation can be defined very broadly; deregulation as the abolition of controls and restraints (technical, economic and social) in industry and privatisation as the introduction into the public sector of conditions which typify the private sector (Swann:1988: pg. 1, 14). However use will be limited to economic deregulation as it pertains to the opening of industry to competition and the free forces of the market and privatisation as the sale of government assets to the private sector.

Economic deregulation began in the domestic market in the United States of America (US) in the mid-1970's but the consequential changes in marketing techniques, pricing policies and competitive strategies also impacted on the international airline industry. The discussion in this section will focus on the competitive pressures brought about as a consequence of deregulation/liberalisation and privatisation as it began in the US and spread around the world, how airlines responded and the implications for the Caribbean airline industry.

2.1. The regulatory environment

Generally in a market economy, government steps back from the economic arena and leaves the course of events to be determined by market forces where it is expected that efficient resource

allocation would be achieved as firms compete. However, in some instances this is deemed to be inappropriate. Where market forces fail to achieve the highest level of welfare for society, example, if there is one (monopoly) or too few (oligopoly) firms in the market, or where costs to a firm or benefits to customers are not reflected in market prices (the effect of externalities), government may intervene to encourage competition (anti-trust legislation), restrict competition (as in a situation with natural monopolies such as water, gas or electricity industries) or take direct control of the industry (nationalisation). Government intervention seeks to ensure that certain objectives in terms of public or national interest are achieved which might not be achieved under the operation of free market forces (Swann:1988:18). Regulatory policies may take the form of control of or recommendations on prices, control of entry usually by licensing procedures, restrictions on amount of markets, as in airline route allocations or control of output as in the number of flights an airline may fly on a particular route.

National ownership of airlines was sometimes motivated by political philosophy but also arose from the close links of aviation with sovereignty, airspace and defence or it was sometimes justified by the enormous capital investment in aircraft and infrastructure.

Regulation was initially to ensure that entry was restricted to those firms which demonstrated ability to operate safely and to avoid firms compromising safety standards when faced with competition (Shaw:1982:91). In the US, which has a large domestic market, regulation also ensured there was an integrated route network system and subsidies were given to airlines which operated small community services which were otherwise unprofitable (Bailey et al:1985:2). The framers of regulation believed that air transport possessed particular economic characteristics and could not be left to function in a situation with free competition. It had low barriers to entry -sunk costs were low, relatively little capital was needed for infrastructure and costs were fixed in the short run. Additionally its major asset, aircraft, was highly mobile and could easily be moved to a more feasible market. This

made it easy for airline management to reduce prices and still remain competitive. Management could engage in predatory pricing to weaken or eliminate competition and discourage entry. With such characteristics, if not regulated, the market could experience an explosion of entry and price cuttings which would be beneficial to consumers in the short run but would lead to eventual bankruptcies. Existing firms would then be in excellent positions to exploit monopoly power in the market giving way to high prices and poor services.

Other arguments concerning the route networking were that regulated conditions would ensure the maintenance of a wide route of networks better than free market conditions as the latter would produce traffic spread thinly over routes with market potential while others would not be adequately served. This would force up costs such as ground handling. Regulation ensured government fulfilled its responsibility of providing and maintaining social services by way of providing regional accessibility and essential communications for international trade and commerce. (Shaw:1982).

The above arguments related especially to domestic services where in most countries economic regulation was carried out by a government department or agency. In the US this was the function of the Civil Aeronautics Board (CAB). International air travel functions in accordance with the rules established by the 1944 International Convention on Civil Aviation (the Chicago Convention). This was a multilateral group (52) which attempted to find agreement on technical and economic aspects of international civil aviation issues. It established the International Civil Aviation Organisation (ICAO) which had the mandate to assist participants to develop and maintain operational, technical and safety standards and practices. A central feature of the 1944 discussions was that individual states had absolute sovereignty over the airspaces above their territories and forms of access to those airspaces - a multilateral system of air freedoms⁶ - were

⁶ First freedom - the right to fly over another territory.

Second freedom - the right of an airline to make a technical landing on another state's territory, that is to take on fuel etc. but not passengers.

Third freedom - the right of an airline registered in country A to release passengers in country B in which it is not registered.

attempted.

At the Chicago convention there was difficulty in coming to an agreement on economic issues (the US wanted an open skies policy and the UK wanted controls) and as such a bilateral system of regulation was established independent of any multilateral framework⁷. This was modelled along the eventual US/UK agreement (known as the Bermuda 1) and used as a prototype across the globe. It effectively regulated entry, output and prices and condoned airlines use of the International Air Transport Authority (IATA) as a forum for setting tariff procedures.

IATA was set up in 1945 for the purpose of promoting safe, regular, economic air transport for all peoples of the world. It covers all scheduled⁸ international air services and operated a series of conferences at which airlines discussed and coordinated fares with the resulting agreements later ratified by governments.

Bi-laterals have certain common points:-

- i. the principle of controlled market entry where entry is restricted to nominated carriers
- ii. the definition of traffic rights and those which each carrier can exercise
- iii. the prevention of price competition by the agreement of fixed air fares and cargo rates
- iv. agreement on capacity levels with equal amounts of capacity offered to the airlines, and in some bi-laterals

Fourth freedom - the right of an airline registered in country A to pick up passengers in country B for off-loading in country A.

Fifth freedom - the right of an airline not registered in either country B or C to carry passengers between these points.

Sixth freedom - the right of an airline not registered in either country B or C to carry passengers between these points with an intervening stop at country A, the country of registration.

Cabotage is the right given to one airline to fly between points within another country in which it is not registered. (Feldman:1988)

⁷ *Traffic rights are decided in state negotiated bilateral air service agreements (called bi-laterals). Frequency and capacity issues are usually resolved between airlines though they may be arranged within a bi-lateral and ultimately must be approved by government (Weisman:1990)*

⁸ *Scheduled services have features of regular frequencies and a published time table and are regulated by a network of bi-lateral agreements between governments. Non scheduled or charter services are regulated by individual countries, that is in terms of price and frequency. They are not bound by the IATA fare fixing arrangements.*

- v. pooling agreements where revenues are shared according to a pre-existing formula (Klingen:1978)

The role of IATA in coordinating fares has diminished in the era of deregulation.

Observers of the US domestic airline industry, economists, and academics, were critical of the effects of regulation in airline operations. There was substantial empirical support for the view that its economic performance was deficient⁹. The argument that passengers benefitted from flight frequency and scheduled services was offset by the attendant higher fares which it was estimated cost US travellers during the early years of the 1970's more than one billion US dollars (Morrison, Winston:1985:5).

The mid-1970's were depressing years for world aviation. Rising fuel prices, depressed traffic levels and rising interest rates caused carriers to suffer unprecedented losses. The poor performance led to a rise in criticism regarding the inefficiencies of the regulated industry. The need to combat inflation, airlines' ability to undermine regulation with the use of higher technology, the overall accumulated economic evidence and the favourable evidence brought by the performance of unregulated markets, such as intrastate carriers in Texas and California which were outside the CAB system, joined with political forces to effect the change.

2.2. Deregulation/Liberalisation

Government withdrawal from the airline industry was part of a general policy aimed at improving economic conditions in the US by cutting back federal legislation in order to lower costs and hence prices charged by regulated firms. Most of the US airlines opposed it; strong interstate airlines felt entry into their profitable routes would decrease their profits, smaller ones felt threatened by potential entry of larger airlines. The opinion of airline management tended to reflect the idea each had on whether it would lose or gain from reform (Bailey et al:1985:32). Labour groups feared new entrant airlines would employ non-union workers,

⁹ Keyes, 1951; Caves, 1962, Levine, 1965; Jordon, 1970; Douglas & Miller 1974; Eads, 1975 - mentioned in Bailey et al, 1982 pg. 2

bring down wages and reduce job security while banks and insurance companies were concerned that competition would increase the risks of loan defaults and bankruptcies.

Reform meant undermining the public interest theory and lobbyists for reform in the US were able to show how blockaded entry, price control and route allocation, a system designed to stabilise market shares, all helped to protect less efficient airlines and keep prices up.

On the international front competitive forces undermining the IATA price fixing system also fuelled the change. These were the influx of charter operations, the growth of non-IATA carriers notably from South East Asia¹⁰ and the increased disposition of airlines to operate outside the IATA price fixing system. Also, the cartel which the CAB and IATA operated in conjunction with the airlines was imperfect, it ruled out competition on price but not on service causing costs to be inflated as airlines engaged in non-price competition. Attempts at product differentiation were not successful as innovations such as reservations systems and in-flight movies were quickly imitated and the temporary advantage lost. The regulated system did not allow consumers a proper choice between price and service as consumers may have been willing to sacrifice service for lower price.

The US exercise was one in total economic deregulation placing maximum reliance on market forces and actual and potential competition. The 1978 Airline Deregulation Act loosened all controls on price and competition in the industry. Progressively, interstate routes were to be opened up to other carriers and the CAB disbanded. Air Cargo was first deregulated, fitness being the only criterion for entry. The International Air Transport Act of 1979 spelt out the manner in which the US intended to deal in its bi-lateral air services negotiations with other governments, namely more opportunities for competitive pricing, elimination of restrictions on capacity, frequency and route operating rights and

¹⁰ The new aggressive airlines from South East Asia competed on the basis of the superb service offered and lower costs, hence lower or competitive prices. Labour costs were 15-18% of total operating costs against carriers from the US - 40-50% and Europe average 37%. (AB:11/90)

for the possibility that more than one US airline would be able to operate routes between the US and the other country (Swann:1988). These objectives were apparent in the liberal bi-lateral agreement reached with some European countries and in its subsequent proposals for amendment to Bermuda 1.

Subsequently, the US began to pressure the international community to adopt similar measures by applying diplomatic leverage and by using their increasing power in the market. As a result the international airline industry has become more liberalised on several different international routes.

In the UK the move towards deregulation was influenced by the US experience especially as higher fares prevailed on the UK side of the Atlantic for the same route/distance. British Airways (BA), then owned and controlled by the British government, was a monopolist on most domestic routes. Radical proposals were made by the regulatory body, the Civil Aviation Authority in 1984 on the restructuring of the industry - disbanding regulations, opening up BA's routes to other domestic carriers but the government was irresolute; on the one hand fully advocating the operations of the free market but fearful that moves to deregulate the industry would affect the price of BA which was in the process of being privatised. But on the domestic front some moves to liberalise the industry was apparent - there was free entry to some domestic routes and the only requirement for fare regulation was that it be filed. International routes however, continued to be affected by the entry of charter operations, the increasing aggressiveness of new airlines from South East Asia and the liberal approach of the US airlines.

The impact of deregulation in the US produced pressure on airlines to liberalise, not only in the UK but all Europe. Although the European Court of Justice (ECJ) had already declared that the competition rules (Article 85-86) of the Treaty of Rome was applicable to air transport¹¹ no procedures were forthcoming which put these regulations into practice. Thus deregulation in the UK had to be considered in the context of what was happening in

¹¹ *Ministere Public v Lucas Asjes et al (Cases 209-213/84) 1986 3CMLR 173*

Europe and its air transportation system. The European Commission had generally been very slow in dealing with the issue of applying the competition rules to airlines but the aggressiveness of the UK in piloting the campaign, (it entered into very liberal bi-lateral agreements with Belgium, the Netherlands, Luxembourg and the Irish Republic) and the judgements by the ECJ in a number of cases on the matter of the competition rules, provided some impetus for liberalisation of European air transport. By 1987 the first effective steps were taken to deregulate the airline operations in the EC and introduce an element of competition into inter-Community travel, following on modest proposals made in 1979 and 1984. A three phase liberalisation package/programme was approved which aimed at reducing regulations on inter community air transport and allow for a gradual liberalisation of air transport within the EC in time for the 1992 Single Market.

In Canada, the government in 1984 introduced its "freedom to move" policy which opened up competition on the routes of its national airline (Air Canada) and in 1987, the "National Transportation Act" allowed for the setting up of a national agency to replace the Canadian Transport Commission and abolish regulatory controls over route licensing and airline tariffs for most domestic operations.

The Australian government in 1987 dismantled its airline policy which had controlled and regulated the industry for thirty eight years and withdrew from economic regulations of airlines operations, thus allowing the market to operate freely.

In New Zealand domestic air transport was deregulated in 1983 with the enactment of the "Air Services Licensing Act" which abolished entry and pricing controls but retained power to prevent predatory competitive behaviour.

Governments of some developing countries in Latin America, the Caribbean, Africa and some parts of Asia have resisted the implications of liberalisation and regulation and have continued to protect their airlines. Airlines are still viewed as instruments of national policy used to promote tourism, earn foreign exchange, provide essential communications and support national defence. They continue to respond to political and

administrative priorities and constraints rather than the needs and timing of the market place and can quickly be overwhelmed by large mega carriers. (Taneja:1988:118). Some have been able to take advantage of the new competitive environment particularly those from South East Asia. These came into the industry late 1960's early 1970's, kept out of the IATA rate fixing system, and took advantage of their low labour costs to mount competitive services with North American and European carriers. Travel to and from this area has also been stimulated by the steady growth of its per capita GNP and increasing trading arrangements with countries in the west. Singapore airlines is renowned for its excellent in-flight service and Malaysian Airlines, with a strategically located hub at Kuala Lumpur is competing effectively on its Eastern/Asian routes.

Very little cooperative arrangements are being witnessed in the African region despite the publications of such plans and declarations. The region's hold to protectionism is reflected in its high membership rate in IATA, 50 out of the 155 members (1988). Such membership had initially provided the opportunity for African airlines to become part of the international air transport system. Governments argue that uncontrolled competition is not appropriate for the region as the market is price inelastic - any reduction in airline fares as a result of deregulation would not necessarily lead to increases in the demand for travel. Also market densities are low, even for existing airlines and most have only third and fourth freedom markets. The proliferation of small airlines does not lead to economies of scale, the route network is uneconomic, infrastructure poor and there is an overall low investment in automation. Most of their revenue is gained by charging overly high rates on the international routes. To continue to be part of the world air transport system governments must harmonise policies with other parts of the world and reduce or eliminate the expense of flag carriers. Air Afrique, jointly owned by 10 African states has recently been brought back from the brink of bankruptcy by an infusion of capital from the French government and a change in the management structure (ATW:10/90). But strong nationalistic attitudes, political considerations, ideological and cultural

differences and the fear that benefits would not be shared equitably, inhibit cooperative efforts.

2.3. Privatisation

Moves towards privatisation of airlines have also been prominent. The rolling back of government ownership comes in the wake of increased interest in the 1980's in the freedom of the market. Reasons differ; for some governments it is financial expediency to raise revenue from the sale, to escape from the obligations of providing large injections of new capital for fleet modernisation or to reduce public sector deficit levels (Wheatcroft and Lipman:1990:). For most developing countries embarking on the process, privatisation has been for economic purposes since generally, government owned enterprises have drained financial resources.

The competitive environment created by the spread of deregulation meant that government owned and controlled airlines which were run like state bureaucracies could not survive and as industry regulations were relaxed, the arguments in favour of privatisation increased. British Airways was privatised in 1987; Japan Airlines, Cathay Pacific, Ansett of Australia are some airlines which are also 100% privately owned. KLM of the Netherlands, Singapore International Airlines, Air France, Air Canada and Scandinavian Airlines are some international airlines with partial (minority) government ownership. By 1990 some 30 airlines worldwide had been privatised, either completely or were in the process of doing so. This has given airline management greater freedom, flexibility and speed in decision making. Given the operating environment, management is inclined to be more commercially oriented, behave competitively, and is able to raise capital free of public sector controls (Wheatcroft and Lipman:1990).

2.4. Restructuring of the Industry.

There were varying expectations of a deregulated airline industry. Opposers predicted there would be chronic instability of service, disruption of essential services, insufficient profitability and the low natural barriers would lead to an influx

of new carriers and jeopardize air safety. Advocates relied on the theory of market contestability in support of deregulation and as being able to replace conditions of free competition. A contestable market is one in which industry performance is determined more by the threat of entry than by actual competitive circumstances. It has no impediments to entry, all firms - established and potential - have access to the same technology and hence face the same cost function (Gilbert:1990:9). Exit is costless in the sense that there are no irrecoverable costs of entry and firms enter and exit at will. At equilibrium the number and size of firms are always such that the industry's output is produced at minimum total cost, profits are zero and price equals marginal cost. It follows then that competition has more to do with ease of entry and exit than with the presence of a large number of small firms. The assumption was that the threat of competition would be enough to make established airlines act as though the conditions of perfect competition prevailed.

Deregulation however, held many surprises for economists - the explosion of entry, massive restructuring of routes, price wars, labour-management conflict, bankruptcies and consolidations and the generally dismal profit record between 1978 and 1988 were unexpected (Kahn:1988:316). In fact the market did not stand up to the theory of market contestability. Airline routes and prices proved sensitive to actual market concentration and levels and prices responded rapidly to entry and exit. Established carriers were able to protect their market positions and to ensure that they were not affected by actual or potential new entrant airlines with lower fares, 'no frills' flying and lower costs (Wheatcroft and Lipman:1990:). They responded by predatory pricing, that is, selectively cutting prices on those routes which were challenged, thus forcing new entrants out of the market or merging to acquire their routes. While potential competition did act to control prices, established firms were able to exploit barriers to entry, becoming more aware of the importance of sunk costs and other factors which limit the effectiveness of potential entry; factors such as ground support services, marketing innovations which increase brand loyalty, and control of information via computer

reservation systems (CRS) to prevent market failure due to information deficiencies. The development of CRS has been of major importance in the competitive environment. These systems, used in the days of regulation to handle inventory, now became a key factor in airline pricing, marketing and distribution functions. Stronger airlines made large investments in the development of these systems which were then able to be used to support its own operations or could be 'bought into' by other airlines. Either way, the dominant airline was able to control the way travel was packaged, priced, marketed, sold and delivered to passengers any where in the world.

Deregulators had anticipated and projected that cost differences were in route structures and free mobility would eliminate those differences. They were also misled by the apparent lack of evidence of economies of scale (Kahn:1988:318) But airlines used the freedom which deregulation gave to develop innovative marketing techniques, to rethink their marketing strategies and restructure their networks to match the strategies. These new strategies included, frequent flyer programmes, travel agent overrides, targeting the business market, and diversifying the airline product into ancillary services to support transportation (Feldman:1988:77-93). The 'hub and spoke' concept proved to be advantageous to operational efficiency and marketing strength. Although the concept of a 'hub' airport, that is, a switching point where passengers can make several alternative connections, existed during regulation, the flexibility of entry and exit which came with deregulation allowed for its expanded development.

The system feeds passengers by spoke routes into a major airport (hub) from where several incoming flights can be connected conveniently on-line (with a flight from the same company) with several outgoing flights within a reasonable period of time. To maximise the number of on-line connections of these spokes at a hub, carriers attempt to schedule arrivals from several places of origin at approximately the same time (Weisman:1990).

The advantages of the system is that its use allows the expansion of spoke to spoke connections and by agglomerating traffic flows into hubs, the increased volume supports more frequent flights. To passengers on line, connections are easy,

baggage transfer is simple and they have more choices. The greater frequency of flights compensated for longer travel time needed for stopovers and paralleled the competitive advantage of airlines with non-stop flights.

Hub and spoke operations gave airlines a competitive edge over new entrants which were unable to mount effective challenges at the hubs of larger airlines. This improved networking led to cost savings due to economies of scope¹². They also greatly finance the airport and airlines can gain a large degree of bureaucratic control over airport operations enabling them to block the entry or expansion of rivals (Berry:1990:394). Airline mergers have also been shown to dominate airport and create market power as market shares and capacity increased following mergers, even when prices increased.

During the early years of deregulation, 1978-1983, the industry was dominated by problems arising from economic recession and the consequences of the air traffic controllers strike which constituted a major barrier to entry¹³. The years 1984 to 1986 saw price wars and struggles for market shares and from 1986 the merger/takeover phase began. Mergers and takeovers were largely as a result of failed airlines, but there were some which were undergone to complement network systems.

Contrary to advocates of regulation, safety standards were not compromised, in fact there has been a decrease in the number of fatalities between 1960 and 1988¹⁴. Generally, airline efficiency has improved, fares have decreased and productivity has increased (Morrison and Winston:1986). Improved market conditions benefitted both the customers and the airlines.

The industry has taken on an oligopolistic structure in

¹² Weisman (1990) argues that there are economies of scope in the industry where it is less costly to combine two or more product lines (flights) in one firm than to produce them separately. Economies of scale on the other hand, rely on a sharable input and emphasise subadditive costs across product lines.

¹³ Carriers were required to reduce operations in a proportionate manner when the strike began. They were thus inhibited from proceeding with the planned rationalisation of route systems. (Bailey et al:1985:6)

¹⁴ Fatalities measured as a percentage of passenger miles flown or by number of aircraft movement or by hours flown. Concern has been expressed about the overcrowded skies, which was responsible for at least one accident, congestion at airports, and inadequate and overworked personnel at air traffic control.

domestic markets following on the merger/acquisition phase. Airlines now seek to have more cooperative arrangements among themselves in order to defend against potential lower costs more efficient new entrants, and to position themselves in new markets and improve penetration in them. (Wheatcroft, Lipman:1998:148). In the US, by 1990, 6 major airlines controlled over 90% of domestic market; two large airlines in Canada control over 95% of the domestic market and it is projected that four airlines would emerge in Europe after 1992 to control the European market.

Consolidations and mergers have generally taken place within one country but increasingly there are more transnational mergers. Most bi-laterals limit the prospect of market access for non-national airlines and these partnerships are an attractive way to gain access to foreign markets offering instant local presence and brand recognition. Cooperation takes different forms:

- i. code sharing and blocked space arrangements where airlines use the same flight number for connecting flights to gain higher priority positions in CRS displays in order to strengthen local and regional market penetration, e.g. Cathay pacific and some European airlines
- ii. structural ties as did BA and United Airlines in 1988 in which the former had access to the latter's US domestic and Pacific routes and United to BA's European, African and Asian markets
- iii. cross shareholdings where each partner buys equal shares of other carriers as in the SAS/Delta Airlines/SIA alliance.

2.5. The Caribbean Airline Industry

Governments in this region generally stress the public service nature of air transport. The general consensus is that regulation cannot be left up to the market forces so aeronautical authorities regulate capacity with the goal of providing equal opportunity for airlines of each country on the basis of reciprocity (Taneja:1988:31).

International travel between the region and the rest of the world, accounts for over 86% of total travel with the US being the most popular destination and source of visitors. US

deregulation policies, while liberalising bi-laterals with the region did not result in any significant number of new entrants. Pan American which was a major competitor in the region, left, Eastern Airlines entered the market and subsequently fell out and American Airlines entered under a route swap arrangement with Pan American. British Airways and Air Canada also increased flight frequencies in the region. It has also been relatively easy for foreign airlines to obtain route rights in the region especially from countries with no airlines or countries with insufficient resources to modernise fleets. Route rights have also been traded for non-airline benefits (Taneja:1988)

American Airlines is now the major competitor on the US route and is able to offer a superior product produced at a lower cost than BWIA can. It set up a hub at San Juan Puerto and has been siphoning interline traffic from the Caribbean into the United States from BWIA.¹⁵

Privatisation is on the agenda for airlines of the region. This, it is hoped, removes the influence of government from the decision making and allows airline management to effectively manage their own operations. BWIA proposes to divest, initially, 30% of its equity to a foreign partner and 5% to its staff. After three years, a further 20 % is to be divested to local and regional investors. This leaves 65% under control of government for the first three years after which it would have 45% majority share. There is the presumption that the economies of scale a foreign partner would bring could reduce its costs and make it viable. Whether this is so depends on the anatomy of the losses; to what extent are government bureaucracy and unproductive control systems, inefficient managers or its route network part of the problem.

Fully government owned airlines in the Caribbean have a history of non-performance and develop a culture of dependence on subsidies which inhibit their potential to be strong and viable organisations. But ownership changes are rarely appropriate instru-

¹⁵ *The hub and spoke concept reduced considerably the organisation's ability to earn interline revenue as passengers could reach their destinations without changing airlines. The efficiency and effectiveness of these operations meant that non-stop travel did not hold the competitive edge it had vis a vis stopovers.*

ments with which to improve economic regulation in developing countries and it is unlikely that any gains in efficiency would be generated if it is not accompanied by a level of administrative capacity, competent management groups and a liberal environment free of influence from the state (Ramanadham:1989 and Van de Walle:1989). Studies of private and public sector performance in the UK (Kay and Thompson:1986), concluded that the public enterprises were badly managed mainly because of the weakening of incentives resulting from public ownership - it provided a comfortable life and destroyed the commercial ethic. Low efficiency may be the result of the environment within which the firm operates rather than the structure of ownership. Private firms are not necessarily intrinsically more efficient, but market pressures are more effective at weeding out poorly performing firms in the private sector than in the public (Ibid:1986:23). British Airways, for example was inefficiently run not because it was under public ownership, but the regulation surrounding its operations.

The advantages of privatisation may be reviewed in terms of the strategic objectives which are no longer constrained by political considerations, the flexibility to participate in industry restructuring, the greater accountability placed on management which encourages performance and efficiency and performance related incentives for employees.

Public utilities like telephone, water and electricity services which are natural monopolies, can be moved into the private sector without many problems. Production inefficiency due to the lack of product market competition is likely to be reduced by the market for corporate control, the presence of the bankruptcy incentive and by the absence of government interference (Swann:1988:296-301). As a competitive business enterprise, these factors need to be present in BWIA in order to maximise production efficiency but the presence of the government, threatens to inhibit the bankruptcy incentive. Additionally, the market for corporate control, while influential, appears to be at present not strong enough to play a disciplinary role.

3. STRATEGIC MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

3.0 OVERVIEW

The previous section examined the international airline industry as its structure changed from a relatively placid environment to one of unpredictability, intense competition, increased technological innovations and globalisation, and the place of the Caribbean Airline industry. This section would look within the corporate infrastructure at some tools, methods and processes airlines used to identify and select among the various options available in order to maintain competitive advantage. The section is structured into two parts. First it would examine how strategic planning came to be of importance within the airline industry and look at two models which can be applied to the industry. Next, Human Resource Management is distinguished as one strategic option available to airlines, its principles and goals are discussed and also the advantages of having a human resource management system integrated into the strategic plans.

3.1. Strategic Planning

Change, and its implications for organisations, bring the need to plan, both for the present and the future. Assessment of the likely impact of the constantly occurring social, economic and technological changes have become essential to organisation survival and growth (King, Cleland:1978:3). The importance of strategic planning¹⁶ has been recognised as a means of coping with increased technological complexity, diversification and systematic growth (Fombrun:1983:192).

Strategic planning is defined as a "process through which the basic mission and objectives of the organisation are set and its resources allocated to achieve those objectives" (Fombrun:1983:193). Strategic management is "a process which deals with the entrepreneurial work of the organisation, with

¹⁶ The Pittsburg conference was held around 1975 to define a paradigm for business policy. The starting point was to change the name to strategic management and to define it.

organisational renewal and growth, and more particularly with developing and utilizing the strategy which is to guide the organisation's operations" (Lyles:1986). A strategy has four components:

- i. scope - which pertains to the number of businesses, products or services that define the size of the firms target in the industry,
- ii. resource deployment - the level and pattern of distribution of resources - physical, financial and human - for achieving strategic goals;
- iii. distinctive competence - the special skill an organisation is able to exploit to gain competitive advantage;
- iv. synergy - which occurs when the organisational parts interact to produce a joint effect that is greater than the sum of the parts acting alone (Daft:1988:).

Strategic planning involves an environmental assessment of the threats and opportunities, an internal assessment of strengths and weaknesses, competitive analysis and a formulation of the distinctive competence, and choice of a dominant value consistent with the organisation's distinctive competence (Fombrun:1983:193). In this way the organisation chooses its competitive domain and the means to achieve them. Strategy may be implemented at various levels in the organisation. At the corporate level it is concerned with the type of businesses the firms should be in, its markets, profit targets and growth. At the business level, it is concerned with how an operating unit, a Strategic Business Unit (SBU) can compete in a particular market, while at the operating level it is concerned with how the various functions, finance, marketing, operations, research and development, human resources, contribute to the corporate and business level strategies (Bowman and Asch:1987:37-38). Environmental appraisal is central to strategy formulation since the firm is involved in a continuous process of exchange with external parties, suppliers, customers, employees, government and is a target for environmental changes.

A study of the planning pattern of Air Canada (Mintzberg et al:1986: pp. 3-41) over the period 1937 to 1976 presents an example of how airline strategies were formulated over the years and the motivation for the various strategies

pursued. The airline's planning history was divided into three periods, 1937 to 1946, 1948 to 1955 and 1955 to 1974.

The first was a period of creating the foundations of the organisation which functioned as an appendage of a larger system that responded to external needs (the flying arm of the federal government) rather than its own. It lacked the strong entrepreneurial initiative needed in a new organisation and plans were more disjointed than integrated. It did manage during this period to create a strategic foundation on which to later build.

Between 1946 and 1948 the organisation underwent a significant change when its mail service, which was a significant part of its operations during the war, was reduced and the airline embarked on a comprehensive programme for regular passenger services to Canadians. Earlier disjointed strategies gave way to tightly integrated ones built on three poles - the elaboration of routes, the purchase of passenger aircraft and the steady gain of autonomy from the government. The process of organisation development was accelerated as it acquired its own chief executive and gained some autonomy from the federal government. Routes to Europe, the US and the Caribbean were extended and it began to commercialise itself, shape its structures and establish and formalize its planning systems to respond to external influence. Strategies, though deliberate, were in response to management initiatives and increasingly influenced by industry forces. After entering the global environment, it settled down to pursue steady incremental change in response to steadily developing market demand.

The third period, 1955 to 1974 saw the elimination of eleven internal routes and the addition of one, suggesting a strategy of consolidation of its activities within Canada. Organisation strategy concentrated on stating its mission in terms of products, services and markets, the means to perform the mission and how it was going to be supplied, marketed, supported or extended with varying emphasis placed on one aspect or the other depending on the nature of the environment. The period was characterised by a desire for stability and order, the airline having already gained control of its political destiny as well as its technical and market operation. Strategies were tightly integrated, planning systematic and incremental, either refining or fine-tuning a given set of successful strategies.

What the study concluded was that although there was a prevalence of planning there was an absence of strategic orientation. Faced with no sudden shifts in the environment, the organisation pursued conservative incremental strategies to strengthen and consolidate its systems over those years.

These factors encouraged formalised planning but because of its lack of attention to strategic thinking, that is, conceptual thinking about the organisation as a whole and new ways to conceive the basic mission, the organisation paid the price by its failure to initiate early responses when for example its domestic routes became saturated, when faced with difficulty in acquiring foreign ones or deregulation which came later. Strategic thinking was not part of the dominant culture as the organisation preferred to avoid risks even if it meant forgoing opportunities.

The approach to planning adopted by Air Canada is perhaps characteristic of planning in the airlines during the period when the airline industry was regulated. Planning was conducive to marginal change or adaptation rather than to significant reorientation. The danger of this was that change, such as deregulation, was likely to catch the organisation off-guard and unable to respond.

Planning in the airline industry during the early years of deregulation was reactionary and tactical. Studies of planning cycles (Giallorto:1991:190) show that times of economic crisis coincided with the tactical phase of the management cycle when short term goals were used with the objective of acquiring market share from competitors:- matching the lowest prevailing price in key markets, cutting costs, rationalizing service standards.

In many organisations, management performance was evaluated by the last year's profits; this meant that more attention was paid to the day to day short run problems and the long run planning was neglected (Pucik and Hatvany:1983:103). Strategic planning involves the development of objectives and the linking of these objectives with the resources which will be used to attain them. Thus it is by nature future oriented, (normally five to ten years) and its processes are arranged so that management is not locked into a single stream of decisions and actions that may not be desirable if the future does not turn out as assumed (Bryson:1988:8). The volatility of the airline

industry and the growing competitiveness have reinforced the need for a reorientation of the planning process from the short term basis on which the reward system is based, to an organisation system which will support a long run orientation to the basic business (Fombrun:1983:192). Accurate strategic planning serves as an early warning system, for imminent threats and for the opportunities in the system and allows competing airlines to differentiate themselves by acting on innovative and profitable strategies before their competitors.

3.1.1. Strategic planning models

Bryson (1988: 23-42) has reviewed several models of strategic planning in use in organisations. The approaches are not mutually exclusive, one can be used as part of the process of or in conjunction with another, or different approaches applied simultaneously at different levels. Some approaches emphasise policy and direction setting at the corporate level and do not prescribe answers. These 'process' strategies presume that correct answers emerge from appropriate application. 'Content' approaches generally focus on strategy at the business level and claim to yield specific answers to questions in planning. Two models which are considered appropriate for management in the airline industry, will be outlined. These are, a process approach, the Harvard Policy Model and a content model, Porter's Competitive Analysis.

The Harvard Policy Model focuses within the firm at the at the SBU, and provides a detailed systematic assessment of the internal and external environment of the organisation to identify the strengths and weaknesses within it and the opportunities and threats in the external environment. This model can be applied to determine the organisation's distinctive competence and how its functions could be better integrated.

Porter's (1980) model also focuses at the SBU but identifies specific business strategy options which will allow a firm to gain competitive advantage. He applies the basic principles of competitive strategy at the national level to firms competing globally, that is, where a firm's competitive position in one nation significantly affects and is affected by its position in other nations. Porter outlines what he believes to be the necessary strategies a firm must pursue if it wants to

position itself in order to create and sustain competitive advantage in the wider global environment. This is of particular relevance to airlines which increasingly are finding that they cannot escape international competition.

This by no means discounts the applicability of other models to the airline industry, for example, Henderson's Portfolio Analysis or Ansoff's Strategic issues management. The former identifies strategic options in a product/matrix design:- market penetration, consolidation, market development, product development, diversification. These however, while appropriate to the airline industry, have been labelled by Porter as strategic decisions (Mintzberg:1988:3), that is, means of achieving strategies and still fall into one or the other of Porter's three generic strategies. Ansoff also categorised business into one of four categories depending on how its industry was growing and how large a share of the market it had. The approach is based purely on economic criteria and ignores the political and social influences on airlines. It also appears to be more applicable to multiple product organisations.

a. Harvard Policy Model

This model begins with an examination of the firm's current position, its resources, business, objectives, how well these are being achieved and how well they may be used in the future by management. It employs SWOT analysis (Strengths, Weaknesses Opportunities and Threats) in a systematical assessment of the firm's internal processes and external environment. Identification of strengths and weaknesses help to reveal those aspects of the organisation that help or hinder accomplishment of its mission and involves a review of the main functional areas - accounting and finance, marketing, operations and human resource management, including the people doing these functions so that a judgement can be made as to whether they are a resource and strength or a weakness in the future development.

In considering the human resources, some issues of relevance are:

- the relationship between the individual and the enterprise
- the impact of informal groups and whether they are supportive of the formal organisation
- management sensitivity to human behaviour

- morale
- proficiency of personnel given present and projected activities
- relationship with trade unions
- the extent to which human resources are considered strategically in the organisation (Bowman and Asch:1987:89).

Insight into the accounting and finance gives a perspective of the state of the organisation. Considerations of this function includes:-

- financial results and status
- link between budgets and overall strategic and operational plan
- the process of budget preparation and whether management across the organisation is involved in preparation
- the attitude of managers to planning and control reports and whether such documents are utilised as a motivational element in the organisation
- the utilisation by management of control reports for evaluation of performance and the formation of strategy (Bowman and Asch:1987:91)

The marketing function provides a vital communication link between the organisation and the outside world by considering changes in the economic, technological, social and other environment and bringing such knowledge to the organisation. Focus is placed on what extent management adopts a marketing perspective and whether the marketing function is linked to the other functional areas in the organisation. Examination of the area may include:

- the use made of market research and the extent to which it influences product development
- the distribution channels and the extent to which new distribution developments may indicate the need for change
- important competitive features - quality, price, service and delivery and how they are applied to the product
- awareness of competitor's moves in technology, and other environmental aspects relevant to the firm. (Ibid)

Information produced by marketing to the operations area would help to ensure that the organisation produces a product to the specification stated, at the cost stated and to consumer satisfaction. Appraisal of this area may include:-

the interaction of production planning and control with marketing

- the use operations make of information from the marketing department
- the cost involved in producing the product
- the extent of automation/computerisation of the facilities and the policy on replacement
- the reputation of the product (Ibid pp 92)

The assessment of all the above functions gives a clear perspectives of the internal dimensions of the organisation and problems can be broken down into manageable proportions. The organisation can then examine options available in the light of resources identified and evaluate and select suitable options at the business level.

External appraisal of the organisation looks for opportunities and threats and is more than just an assessment of the firms immediate sector of the economy. Analysis of the wider social, technological and legal and governmental factors is an important input to the analysis of the environment and can identify to what extent the organisation strategy matches or does not match its environment. External elements are generally uncontrollable but the environment itself reacts to organisation change.

Innovations in technology are often most apparent and dramatic. Innovations may create new industries, destroy others and often requires a change in the human resource management function - obtaining and or training new personnel to operate new equipment or how to shed redundant labour; and the finance function - how to finance the new equipment. The advance in computer technology has had a major influence on information for management decision making and this has been very apparent in the airline industry.

Legal and governmental factors may constrain an organisation's actions and management must be aware of these constraints and consider their implications.

The economic climate determines in a broad way, the opportunities in the environment. Generally, an expanding economy provides scope for organisations but attention has to be paid to short term phenomena and more fundamental changes in the overall economy so the firm must identify factors likely to affect demand

in the short run as well as those influencing the enterprise's ability to meet expected future demand in the long term (Bowman and Asch:1987:62-65).

b. Competitive Analysis

Porter (1980,1985,1990) developed an approach aimed at providing answers to how the organisation should relate to its environment. By analyzing the forces which shape an industry, the general level of profits throughout the industry and the likely success of any particular strategy for a SBU can be predicted. He hypothesised that five key forces shaped an industry:

- the threat of new entrants
- the threat of substitute products or services
- the bargaining power of buyers
- the bargaining power of suppliers
- the rivalry among the existing companies (Porter:1990:35).

These determine industry profitability because they shape the prices firms can charge, the costs they have to bear and the investment required to compete in the industry. The strength of each is the underlying economic and technical characteristics of an industry.

Two central concerns underlie the choice of competitive strategy, industry structure and a firm's position within an industry. Successful firms respond to their environment and also attempt to influence it in their favour and change in industry structure or the emergence of new bases for competitive advantage underlie substantial shifts in competitive position (Porter:1990:34). In addition to responding to and influencing structure, firms also must choose a position within the industry. Porter sees competitive advantage at the heart of positioning as in the long run, firms succeed relative to competitors if they possess sustainable competitive advantage. Two types of competitive advantage are lower cost and differentiation. Lower cost is the ability of a firm to design, produce and market a comparable product more efficiently than its competitors. Differentiation is the ability to provide unique and superior value to the buyer in terms of product quality, service and special features. Scope or the breadth of the firm's target in the industry is another basis for competitive advantage. A firm

must choose the range of products it will produce, its geographical location, the customers it will target, its distribution network.

The activities performed in an organisation can be grouped into what Porter calls a generic value chain. This depicts all the organisation's activities grouped under: i. primary activities - marketing, production, operations and ii. support activities - finance, technology and human resources, which create value for the firm. In order to gain competitive advantage a firm must either provide comparable buyer value but perform activities more efficiently (lower cost), or perform activities in a unique way which creates buyer value (differentiation).

Porter later (1990) applied this generic value chain to firms competing globally but added that at that level, strategic advantage was gained by the firm's ability to spread activities among nations (configuration) and its ability to coordinate among dispersed activities. In these global industries, rivals compete by drawing on competitive advantage which emanate from their entire network of worldwide activities and combine advantage created at home base with others that result from a presence in many nations, example, economies of scale, the ability to serve multinational customers and the transferability of brand reputation (Porter:1990:53).

In configuring its world wide activities, firms face two broad choices:-

- to concentrate activities in one or two nations or disperse among many or
- to chose among nations where to locate firms

Global co-ordination involves sharing information, allocating responsibility and aligning efforts. Benefits accrue to the firm in terms of the accumulation of knowledge in terms of buyer needs and marketing techniques and the expertise gained at different sites in process technologies and product distribution.

A coordination strategy can signal to the firm early signs in industry changes, provide economies of scale by allocating sub-tasks among locations to allow specialisation and yields flexibility in responding to competitors (Porter:1990:59).

A note is made about strategic alliances which is prevalent as a tool in global strategies. These include joint

ventures, long term supply agreements and other types of inter-firm relationships. These divide activities in the value chain on a world-wide basis with a strategic partner. Benefits which may accrue include, economies of scale, access to local markets and technology and the spreading of risks. Failure to coordinate efforts with an independent partner who often has different and conflicting objectives may impede benefits gained from a strategic alliance. Competitive advantage ultimately relies on a firm's internal capabilities.

So, both models are of use in the airline industry, the Harvard Policy Model as the tool for situation analysis and Porter's model provides the options available to airlines for positioning in the industry in order to gain competitive advantage. Human Resource Management (HRM) is among the activities in the support system which can create value for the firm. Many models do not place much emphasis on the human resource management aspect in the organisation; at the formulation stage the human element is considered as influencing the type of strategy, that is strategy may be influenced by management style, behaviour and preferences; while at the implementation stage, where it is primarily given some importance, it is stressed that employees' attitudes and behaviour must be compatible with the new strategy. But effective implementation requires more than compliance with the new strategy; it involves inducing organisational processes through the design of the human resource system to support the strategic thrust; a supportive set of control systems for both financial and human resources (Frombrun:1983:193). While the former is a well documented cycle of activity the latter is less systematic and perhaps the critical stumbling block in the implementation process (Ibid).

Effective environmental adaptation and hence strategy formulation require, to be successful, a system for implementation - a focus on human resource management as a means of utilizing to the maximum the available human assets. This is the thrust of a strategic human resource management system.

3.2. Human Resource Management

3.2.1. Development of HRM

The concept of human resource management (HRM) and its systems gradually evolved in organisations since Elton Mayo and others discovered in the Hawthorne studies that the human problems which reduced the efficiency of machines could be eliminated not by standardisation and control of work processes as Frederick Taylor before him had advocated, but by humanising the work processes (Callahan and Fleenor:1988:16). Mayo's studies originated what became known as the human relations management school of thought. He concluded that "(an organization) is a social system, a system of cliques, grapevines, informal status systems, rituals and a mixture of logical and non-logical and illogical behaviour." (Hicks:1972) The highest productivity was achieved not by positive financial incentives or improved working conditions but by fulfilling the natural human nature of workers, that is the need to be one with peers. The experiments brought to the fore the impact positive treatment of workers had on productivity; an aspect which was largely ignored by earlier management theorists.

Many other studies, particularly those of the behavioural school of management by writers such as McGregor, Argyis, Libert and Herzberg (Hicks:1972), contributed to building the human relations school by their emphasis on increasing organisational effectiveness by increasing the effectiveness of its human resources. These focused on the behaviour of people in the workplace, various aspects of social interaction, motivation, patterns of power and authority, communication, leadership and the quality of worklife.

Changes in management thought were paralleled by changes in the nature of work, the composition of the workforce and the advent of new technologies. During the 1960's and 1970's there was a reduction in the number of jobs in manufacturing, an increase in the jobs in the service industry, improvement in communications as a result of the development of the computer and increased technological innovations in industry (Kraevtz:1988:p1-36). This has resulted in a workforce which has evolved from the traditional blue collar workers, once the basis of union strength, to more white collar workers, highly educated, skilled with potentially different aspirations towards work and leisure -

a workforce which had to be managed rather than controlled (Blanpain:1990:22).

Thinking about management practices has also been influenced by the successes of Japanese industries at home and abroad and contributed to the body of human resource management techniques. This has been attributed to the Japanese focus on human resources - an explicit preference for the maximum utilization of available human assets which translates into three main interrelated strategic thrusts:- i. creation of an internal labour market to secure a labour force of the desired quality and to induce employees to remain with the firm, ii. articulation of a company philosophy that expresses concern for employee needs and emphasises co-operation and teamwork and iii. intensive socialisation to ensure that people who will match the value of the organisation are hired and properly integrated into it at all stages (Pucik and Hatvany:1983:104). In short, Japanese management practices reflect an investment in people, a long-term orientation (up to 25 years forward planning) and flexibility at all levels (Twiss:1988:3).

The greatest thrust for the development of human resource management came in the decade of the '80's and the onset of the economic recession. This, coming in the wake of the decade of the 1970's which saw a phenomenal rise in the power of trade unions and labour/management interaction, gave the impetus to management to introduce an element of flexibility in industrial relations. This flexibility meant adaptable use of resources, including human, to the changing economic and technological demands of the market, thus, 'throwing some of the traditional truths (of industrial relations theory) into disarray' (Blanpain:1990:24). Governments also, plagued by huge deficits and unemployment contributed to the changing balance of power between labour and management by imposing far-reaching incomes policies or responding to growing demands for deregulation. Focus was shifted from IR issues to competitiveness in product markets, realignment of operations, downsizing, merging, streamlining, in order to gain a competitive edge. The management of labour relations and industrial relations systems which focused on systems of formal institutions and regulations to control workers in organizations appeared highly inappropriate, restrictive and concentrated in such an environment. Focus had to be extended

from institutions of job regulations such as trade unions, employer associations, collective bargaining, industrial disputes, economic rewards, and arbitration to other less visible forms of control, the informal groups, political alliances and personal attitudes (Bamber&Lansbury:1989).

3.2.2. HRM in the Airline Industry

Structural changes in the airline industry left its mark on airline personnel. Air transport traditionally offered attractive benefits, relatively stable jobs and favourable working conditions contributing to a high degree of personnel motivation and low turnover (AB:11/90). Competition from new low cost carriers which entered the market when it was deregulated, exerted pressures to reduce or contain personnel costs.¹⁷ This was the main rationale for radical changes in traditional labour/management relations and was fuelled by the Air Traffic Controllers' strike in 1981 when 11,400 employees were fired. This gave management the confidence to implement changes which brought flexibility in the labour force.

The industry reacted by implementing measures to hold down costs, especially staff costs¹⁸, and maximise operational efficiency and asset productivity. In competitive industries, a firm that is able to reduce its costs can increase its profits on current production while using its cost advantage to expand relative to other firms (Bailey et al:1985:96). Price controls had previously limited incentives for carriers to reduce costs and as such, inefficient airlines were protected. Many groups in the industry are highly skilled and specialised thus limiting the availability of easy substitutes. The industry has always had a higher percentage of unionised workers than the overall labour force and a strike could cripple an airline - service, the competitive element cannot be stored and the effects of a strike persisted even after settlement (ATW:2/84).

Thus the economic character of the industry, economic

¹⁷ Average pay and benefits for new carriers between 1981 and 1983 was US\$22,000 per year; for the established carriers it was US\$44,000. Crew flying hours at new carriers were also 40% higher than established carriers (ATW 6/84)

¹⁸ Cuts in personnel costs were achieved by implementation of two-tier wage scales, less restrictive work rules, reduction in the workforce, wage cuts and wage freezes. BWIA implemented salary and cost of living freezes and began the concept of awarding lumpsum payments rather than percentage increases.

regulation and the institutional arrangement between labour and management placed trade unions in a strong bargaining position with the airlines. Theoretically, all firms in an industry have access to the same technology and hence cost structures. But costly labour contracts and restrictive work rules bound the established carriers whereas new entrants were free from these constraints. Their employees worked longer hours, were highly motivated as a result of the cross-utilisation schemes and the participatory management practices in these airlines.

The introduction of new technology also helped to maximise operational efficiency. This altered the volume and structure of employment in air transport. Between 1979 and 1983, the number of employees (IATA members) fell at a time when many new airlines were entering the industry (Gil:1986). This is attributed mainly to two factors. One is the fall in the requirement for flight engineers due to the development of video display technology. This made it possible for aircraft manufacturers to offer airlines the new concept of the two-man forward facing crew cockpit thus eliminating the flight engineer from medium-range operations and reducing cockpit crews by 30%. The other is the development of computer reservations systems and the increased use of travel agents for ticket sales, causing a 9.5% drop in ticketing and sales personnel (Gil:1986). Computerisation of personnel administration systems and crew scheduling has also reduced employment. At the unskilled and semi-skilled levels, there have been increasing employment of part-time workers who provide the organisation with the flexibility to utilise those resources only when needed. In a market with surplus labour this group has been resistant to mobilisation by labour unions.

Deregulation and the increasing financial vulnerability of airlines have changed the basic premise of industrial relations in the airline industry. Labour related costs and productivity have become vital factors in the competitiveness of the organisation and computerisation and automation have adversely

affected the bargaining power of trade unions (Gil:1986).¹⁹ In general pay became more closely linked to performance and productivity. Airlines also began experimenting with job enrichment processes, more participatory management styles, profit sharing plans and stock participation schemes (ATW:6/84).

These changes had many implications for personnel in the airline industry. The traditional routine administrative functions of personnel departments and fire fighting role of industrial relations departments were challenged as an element of planning entered the personnel function as organisations merged, down sized and as the regulatory environment changed. Airlines embarking on programmes of privatisation needed plans and programmes which would reconstruct inefficient enterprises, cope with the demands of labour and gain commitment to new strategy-oriented goals from a workforce raised in a product-oriented culture. A survey of the personnel function in twenty two airlines worldwide (Lynch:1984) showed that sixteen of them had it as a separate function and others linked it to administration. Major developments were, a decentralisation of the personnel function tending towards small policy groups at the centre with the functions integrated into regions and divisions, an increase in its scope, and the separation of the routine administrative functions from strategic issues in order to facilitate change and dispel inertia (Lynch:1984:147). The main task of the new human resources departments was to make optimum use of the human resources as central to the strategic thrust of the airline. Human resource competence was needed to identify the human resource implications of the business strategy and develop policies and programmes which will enable the organisation to achieve its objectives with a lean and flexible workforce and at minimal cost.

3.2.3. Principles of HRM

HRM therefore increased in strategic significance as organizations perceived benefits in two ways, an increase in

¹⁹ It is expected that trends would be the same in Europe when the industry is fully liberalised. Airlines can recruit from other low cost EC countries and the airlines of Eastern Europe with low labour costs are attractive for takeovers or collaboration (AB:11/90) Carriers in Europe are trying to persuade the European Commission to incorporate them into a community standard of licencing and hours of work which all, including the low cost carriers, would have to observe. This could erode their competitive advantage.

organization effectiveness and the satisfaction of employee needs. The approach holds that both needs are mutual and one need not be gained at the expense of the other. Its basic principles are: _

- employees are investments that will, if effectively managed and developed, provide long term rewards to the organization in the form of greater productivity.
- policies, programs and practices must be created that satisfy both the economic and emotional needs of employees
- a working environment created in which employees are encouraged to develop and utilize skills to the maximum extent.
- personnel programs and practices must be implemented with the goal of balancing the needs and requirements of both the organization and its employees (Carrell et al:1989).

3.2.4. Goals of HRM

The apparent novelty of HRM lies in its claim that by making full use of its Human Resources, a firm will gain competitive advantage. The implication here is that there is strategic choice about how best to use the human resources - a choice between the assumptions inherent in McGregor's (1960) Theory X and Theory Y. Weisman (1990) noted that many of the inputs, aircraft, skilled labour, used in the production of international air transport services are bought or leased on the international market and are not restricted to original factor endowments of the home country. Hence in a hypothetical manner, cost structures should be identical. Exceptions arise when economies of scope are exploited or if an airline is subsidized; but it was differences of national input which determined comparative advantage.

The management of human resources could be one such national input which could determine comparative advantage. A coherent and distinctive set of policy goals together with relevant procedures for implementation indicate how the human resources might be fully and effectively utilised. The goals, based on the values inherent in the Theory Y assumptions are commitment, high quality in persons employed and output of the organisation, flexibility in terms of utilisation of resources including human resources and strategic integration. When there is a coherent strategy, directed towards these four policy goals,

fully integrated into the business strategy and supported by all levels of management, then there would most likely be high productivity and related outcomes (Guest:1990)

3.2.5. Human Resource Management Models

Frombrun (1983) outlines four generic processes or functions performed by human resource systems in all organisations. These are selection, evaluation, reward and development. At the core of these functions stands the dominant value the organisation is stressing at the time, example, profit maximisation, lower cost, increase in market share or improvement in service quality.

The selection system covers all activities related to internal movement of people across positions and external hiring into the organisations. It aims to match available resources, internal and external, with positions in the organisation. Activities include job analysis, job design, recruitment and selection and planning and forecasting human resource requirements.

The reward system varies from pay in its various forms, through promotion, job security, career opportunities, to informal activities as praise, recognition, respect and friendship. Rewards should be made contingent upon desired behaviour which is guided by the dominant value needed to support the business strategy.

The development system includes activities designed to ensure that individuals are properly equipped with skills and knowledge to carry out their jobs. These are on-the-job-training and long term development of employees. The major areas of the development process are job improvement, career planning, that is, pathing individual growth in relation to organisational opportunities, and succession planning to ensure adequate human resource talent for projected needs in the future based on the strategic plan.

The appraisal system links the selection, reward and development systems by its focus on appraising for immediate staffing plans, projecting future dimensions and identifying future potential.

Daft (1988:337 - 360) captures these four systems in his model of the human resource process which categorizes the activities into three main areas, attracting, developing and maintaining an effective workforce.

Attracting an effective workforce includes a selection approach in which the organisation and the employee or prospective employee, attempt to match each other's needs, interests and values. It includes activities such as job analysis, planning and forecasting and recruitment and selection.

Developing an attractive workforce is the planned effort by an organisation to facilitate employees' learning of job-related behaviours and includes training and development, appraising and evaluating.

Maintaining an effective workforce involves providing equitable and fair compensation, managing potentially disruptive external influences and effecting separations from the organisation.

Daft's model includes some external influences which affect the human resource management process and which are not taken up by Fombrun. Trade unions and any legislation which have consequences for the employee/employer relationship, and the processes which detail how these would be handled, have to form an integral part of any human resource management process.

3.2.6. Integrating Human Resource System with Strategic Plans

In strategic human resource management, all programs, projects and activities relating to the HRM function must be implemented and evaluated in the context of the organisation mission, business strategy and goals and objectives. HRM becomes an important consideration in the process of overall formulation and implementation of strategic plans and each system or area can be structured in line with the short and long term goals or the strategic plans at all three levels of planning (Kiggundu:1989:157). Fombrun outlines a model which matches strategy at each level with the human resource sub-systems.

At the corporate level the HRM strategy seeks to decide on the way in which the organisation will consolidate its human resource flows across functional and hierarchical boundaries and provide channels for the flow of personnel. Fombrun suggests that a highly integrated set of systems is consistent with a

corporate strategy designed around a single or dominant product (as in the airline industry) and is able to draw from a large pool of employees in a large internal labour market. On the other hand, a multiple product firm needs to have a low integration of such systems.

At the business level the critical concern is designing a unifying theme or operating philosophy which will guide the human resource strategy. For example, a strategy of achieving larger market share may have expressed as the dominant value in its HRM strategy, the importance of good client relations or high service quality. Hence the selection system may stress appearance or interpersonal skills and evaluation may be based on client feedback.

At the functional level, design of the human resources involves, tailoring the system for each business function and designing activities across functions to support the strategic programme of the business level strategy. The main tool here is the human resource cycle, the sequential managerial activity reflected in the selection, evaluation, reward and development systems.

It is at the business level that HRM is critical. A large body of research and writing has identified the issue of fitting HRM to the business strategy and as being important to an organisation seeking competitive advantage through innovation driven strategies (Guest:1990)

PART II

4. STRATEGIC PLANNING AND HUMAN RESOURCE MANAGEMENT IN BWIA

4.0 Overview

This section would examine the organisation, BWIA, its strategic plans for the period 1989-1992 and its human resource management system. Specifically, it aims to determine whether the HRM system can facilitate implementation of the goals and objectives by examining to what extent it is integrated into the organisation's strategic plans. The strategic plans as outlined by the organisation in two documents dated November 10, 1988 and April 21, 1991, would be used as the basis of analysis.

The section would be structured into four parts. Part one would give a brief history of the organisation, the pattern of planning, outline its current mission, goals, objectives and strategies and programmes of the various functional areas. Part two looks at the human resource management system in the organisation and analyses its functions in the context of the business plan. The third part discusses the applicability of HRM, its practice and limitations, and forwards some recommendations on strategic human resource management for BWIA. The paper concludes with a synopsis of the structure of the airline industry and matters for consideration in future strategic planning in the Caribbean Airline Industry.

4.1. The Organisation, BWIA

4.1.1. Brief history

The original British West Indian Airways (BWIA) began operations on November 17, 1950 as a privately owned airline based in Trinidad & Tobago (T&T) serving mainly the Caribbean area. In 1943, the British colonial government acquired the majority shareholdings of the airline in order to secure the only reliable link between the islands and the airline began to operate under the British South American Airways Company (BSAA).

In 1949 it was taken over by British Overseas Airways Corporation (BOAC) and as a subsidiary of that company, developed into a highly professional small carrier with strong emphasis on safety and maintenance. BOAC equipped it with a fleet which flew

between the Eastern Caribbean to New York and other routes which BOAC, short of aircraft at the time, could not operate. When BOAC acquired its complement of aircraft and became fully organised, BWIA was ordered to wind down its operations. The Federal government²⁰ indicated to BOAC its intention to take controlling interest in the airline upon formation of the Federation, but its failure caused the T&T government to step in and buy 90% of its equity, while BOAC retained 10% and a seat on the board.

The T&T government made valiant efforts, supported by the ICAO, to persuade the other Caribbean governments to participate and share in the operations and to secure foreign partners, but without success. The government subsequently bought BOAC's 10% holding and in 1969 became 100% shareholders.

The dilemma for the government was whether to continue to subsidise regional air services or close down the airline which would have crippled Caribbean tourism, communications and trade within the region. The government chose to continue to support the airline and this it did for many years partly because of the oil boom which began in 1974 and lasted into the early 1980's and which allowed the government to support a large public sector, including BWIA, with little difficulty.

On the recommendations of a government appointed Commission of Enquiry in 1978, the organisation was restructured and a new corporation, Trinidad and Tobago (BWIA International) Airways Corporation (the title retained the traditional BWIA in it) established by an act of parliament No. 50 of 1978, bringing it under the ambit of a public enterprise which eased its tax position but put limits on borrowings, and made new ventures hard to develop. The act also catered for the incorporation of the assets and liabilities of the domestic airline, Trinidad and Tobago Air Services (TTAS) which were fully vested into BWIA in 1980.

4.1.2. Planning process

Planning, for a long time in its life, was external to the airline. Its operations were dictated by its shareholders, first the British government which quelled the early entrepreneurial

²⁰ West Indian (Caribbean) Governments were in the process of forming a Federal system. This came to a halt with the Jamaican referendum in 1962.

spirit of its founder, and then by the T&T government which steered the airline in line with the needs of the country and the region. It did not develop along its own rational path as an independent organisation facing challenges in the international environment. Many decisions were external to the organisation, example, routes to fly and equipment to purchase and the extent of involvement of airline officials was in many instances limited to the technical aspects of these decisions²¹. Continued government subsidisation which involved not only route subsidies but also payment of wage and salary increases demanded by the various unions, created an attitude of dependence on the government by management and workers. Management acquired little expertise in aircraft financing processes, organisation and management skills and marketing and sales techniques²². During the 1980's strategies of airlines worldwide were shaped by three areas of strategic needs, to remain the forefront of technology, to remain in the global market place and to serve the national interest. While national interest considerations cannot be ignored by any airline in strategy development, political realities dominated BWIA's planning for much of its life.

From 1980 management began to emerge as having some control over its direction as the national and international economic environment began to change and as the government progressively withdrew economic support. Its plans over the period 1981 to 1988 appeared to be reactionary and sporadic, adapting and reacting to specific problems and parts of the organisation appeared to be going in different directions.²³ Its growth strategies which were begun with its fleet acquisition in 1979, gave way to survival strategies involving reduction in routes flown, wage cuts and freezes and a redundancy/early retirement/leave of absence programme. The adaptive mode of planning reflected the organisation's quest to achieve the goal

²¹ An example of this is the 1979 fleet renewal programme which was conducted by government officials.

²² For example the expansion of its services to Canada in 1969 was not initiated by the airline; it was on the request of the Barbados government which had its tourism industry threatened as a result of an Air Canada strike.

²³ The merger of both airlines, TTAS and BWIA created peculiar problems for the organisation. The structure was not streamlined to accommodate various and duplicated functions, divisions were not functionally distinct and there was a clash of two organisation cultures.

of 'commercial viability' as stated in its 1981 mission statement.

Its 1983 mission statement continued in a survival mode with emphasis on renewal, that is harnessing management energies towards the attainment of clearly defined strategic objectives. The 1983 mission statement included, "to achieve and maintain commercial viability" and the Corporation's primary goal was "to reduce the net cash loss of the Corporation after operations and interest charges to TT\$31m (US\$)while improving the quality of service to passengers". The strategy to support the renewal programme included a focus on total resources of the organisation - financial, material and human. Programmes at the functional level in support of this strategy included the building of a corporate culture away from the dependence of government, worker participation and participatory management programmes and extensive training and development. While planning was still short term and tactical, the organisation structure began to be shaped along the lines of its strategies. Some activities however, were not co-ordinated and response still lagged behind competitors in the market place²⁴.

The 1989-1992 strategic plan began with the mission statement:-

"BWIA shall be a financially independent, profitable Caribbean organisation head-quartered in Trinidad and Tobago that provides a consistent, cost-effective, high quality airline service to its customers on its domestic, regional and international routes."

The mission as re-stated April 21, 1991 is:-

"BWIA shall be a financially independent, profitable Caribbean controlled airline headquartered in Trinidad and Tobago that provides to its customers a safe, secure, cost effective, high quality service with a Caribbean ambience."

The subtle change removes the suggestion of a prioritisation of its customer needs - domestic, regional and international - and introduces the obligation to meet the needs of all its customers. This allows the organisation to allocate its resources in a manner which will facilitate the achievement of its mission and without the constraining influence of government. It comes in the wake of stalled attempts to launch

²⁴ An example of this is British Airways capturing a large segment of the high yield business sector with the introduction of its Club Class. BWIA had to rearrange its European operations to compete but was not able to capture a substantial part of the market. Its marketing function was first unable to discern that such a segment in the market existed and secondly, incapable of mounting a quick and effective response.

BWIA as the designated regional carrier, it's deteriorating cash result which reached record level in ten years (TT\$ 147.5 or US\$34.7) and the decision of the government to deregulate the domestic services²⁵, allow the airline to look for a strategic partner and to appoint a new board to fulfil this last mandate.

4.1.3. Strategic Plans 1989-1992

Exhibit 1 is a representation of the organisation's plans at the Corporate, Business and Functional levels. At the corporate level, the organisation plans for moderate growth with expansion concentrated in Europe, to target the high yield business, tourist and 'visiting friends and relative' (VFR) sector and to expand in the area of non-traditional activities. To compete in the international industry it is positioning itself as 'the airline that knows the Caribbean best', and pursuing strategies of i. differentiation:- presenting a product with a difference to its customers, a safe, reliable, high quality product with 'a Caribbean ambience', and ii. cost (control/revenue enhancement) to achieve its goal of financial independence and attract foreign investment.

These positioning and competitive strategies are translated into specific goals such as, providing high quality, safe, reliable service, reduction in costs/enhancement of revenue, being a good, fair and caring employer and earning a hard currency surplus. Plans and activities to support the business level strategy include entrenching its position in the Caribbean region by negotiating and implementing joint competitive fares and marketing programmes with LIAT and other carriers at select international gateways, developing Piarco airport (Trinidad) as a hub and expansion of non-traditional areas such as duty free shops, gift shops. Targets are set for service quality, on time performance, reliability and safety. The privatisation strategy is to prepare the organisation for the competitive future and a major behavioural change programme intended to change the organisation culture into one that is responsive to market forces, drives the entire strategic plan.

²⁵ Domestic services between Trinidad and Tobago has been opened to tender. Operators selected must provide a world class but locally flavoured service, maintain highest levels of safety and security and make a positive contribution to the social and economic development of Trinidad and Tobago.

Exhibit 1**DIAGRAMATIC REPRESENTATION OF 1989-1992 STRATEGIC PLANS****CORPORATE MISSION**

BWIA SHALL BE A FINANCIALLY STRONG INDEPENDENT CARIBBEAN AIRLINE HEADQUARTERED IN TRINIDAD AND TOBAGO THAT PROVIDES TO ITS CUSTOMERS A SAFE, SECURE, COST EFFECTIVE, HIGH QUALITY SERVICE WITH A CARIBBEAN AMBIENCE.

Corporate Strategy

- Target high yield business, VFR and tourist sectors of market with expansion concentrated in Europe.
- Moderate growth
- Expand non-traditional activities.
- Privatise operations
- Be a good, fair, caring employer

Business Strategy

- Differentiation
- Costs

Functional Level Strategies**MARKETING**

New aviation agreements
Schedule integration and development of a schedule geared to maximise hard currency earnings
Cargo Revenue
Yield Management
Develop Piarco as a hub.
Cooperation with LIAT

CORPORATE RESOURCES

Behavioural change programme
Incentive programmes
Extension of Staff levels
Training and development
Employee services
Printery - profit center
Worker participation schemes
Participatory management programmes
Labour Management relations
Financial Restructuring

TECHNICAL OPERATIONS

Fuel burn policies
Repatriation of maintenance
Fleet expansion
Fuel uplift policies
Reliability

H.D'S OFFICE**Non-Traditional Activities**

Duty free shops
Gift shops
Sale of information services
Sale of Advertising Services
Sale of Maintenance services

The strength of the organisation lies in its modern technology in operations and information, it's well trained, dedicated staff and unblemished safety record. Its weaknesses are its overall attitude of dependence, lack of accountability and lack of skills in marketing and sales.

4.1.4. Organisational Structure. Efficiency levels and areas of Effectiveness.

Structure follows from strategy in the development of business plans. Organisation design is a decision process to bring about synergy between goals and objectives, the patterns of division of labour and the co-ordination between units of processes and people who will do the work (Galbraith:1977:5) When strategy changes, the information system, orientation and training of people to play new roles also change.

The structure of the organisation therefore is a reflection of how the various functions are going to be performed, how information would be processed, the span of control, authority relationships, the extent of centralisation/decentralisation and coordination and control mechanisms.

BWIA has three distinct functional areas under the direction of Corporate Managers and one area of non traditional activities (Appendix 1). These are arranged within a decentralised structure with central management direction which rests with the Managing Director. Regional responsibilities of four revenue generating areas, i. Trinidad and Tobago and South America, ii. the Caribbean, iii. North America and iv. United Kingdom/Europe/Other, are also decentralised.

The goal of the marketing division (Appendix 2) is to maximise contribution and maintain a high quality of service. The technical operations division (Appendix 3) supports the commercial (marketing) schedule by aiming to provide safe, reliable and economical transportation of passengers on the ground and in the air. The corporate resources division (Appendix 4) is responsible for making the most effective and efficient use of the organisation's financial and human resources. Non traditional activities, catering services, duty free shops, gift shops, are coordinated at the office of the Managing Director. Some general information concerning the airline, staff levels,

unionisation, gateways, fleet, efficiency and effectiveness levels are outlined at Appendix 5.

The cost and differentiation strategies shape the 1991 organisation structure which has a strong marketing bias. Available seat miles (ASM)²⁶ which is a determining factor in passenger revenue is largest on the North American routes 58.6% from 43.1% of all flights. Regional and domestic routes produce 8.7% of ASM from 49.1% of flights. The highest value comes from UK/Europe route where 7.3% of flights generate 32.7% ASMs. The marketing division is aiming to tap this market by building on its marketing skills and techniques with supporting infrastructure - a new computerised decision support system for yield management.

The effectiveness and efficiency parameters which the corporation has set as necessary requirements for achievement of its mission, must be compared with existing levels of efficiency and effectiveness. Historically, the public perception of the airline has not always been one of admiration. Criticisms surround its quality of service provided on the ground (traffic handling), delay and baggage handling and on-time performance usually in comparison with its competitors. Acronyms such as Bt Will It Arrive and Better Walk If Able are not uncommon among the general public and in the media. Great progress has been made over the last decade at improving both public and employee image of the Corporation. Its on time performance (within fifteen minutes) has steadily improved from 59% in 1980 to 80% in 1987. Traffic reports for May 1991 show an on-time performance achievement of 97% with service and baggage complaints down from 6 per month and 2 per thousand to 1 per month and 1.1 per thousand respectively.²⁷

Another area which is strongly criticised is delay management. BWIA is generally not perceived as airline which minimises inconvenience suffered by passengers in delay situations. One distinctive competence of the organisation which

²⁶ Aircraft miles flown in each inter-airport hop times the number of seats available on that hop for revenue passenger use.

²⁷ This could be attributed to the new management appointed to the area at the beginning of the year. New HRM initiatives were brought into the department, example, team work, participation in decision making and improved working conditions. Feedback from employees is that there is a new sense of commitment, achievement and confidence. It would be necessary to examine to what extent these changes in behaviour and performance are entrenched before any decisive conclusions could be drawn.

is very acclaimed is its in-flight service which is fostered with a carefully developed training programme building on the inherent sunny nature of Caribbean people. The marketing division has the opportunity to develop this at all customer service points throughout the organisation.

Productivity is measured in terms of available seat miles (ASM) per employee dollar cost. This is twice as high as that in large airlines such as Delta Airlines, American Airlines and United Airlines. When measured in terms of ASMs per employee, a standard measure in the industry, it is also on par with British Airways and higher than KLM, Lufthansa, and Swissair. ASMs have increased 15% between 1988 and 1990, personnel costs by 3.5% and number of employees have risen by 3%. This and new technology (example, automated ticketing) have contributed to increased productivity. Also personnel costs have remained relatively stable while the T&T dollar has been devalued. Standard generalised measures provide a quick and easy reference for analyzing performance, but ASM accounts for changes in the load factor and yield but not for changes in costs especially poor service costs which in BWIA increased 173% over the period 1988-1990 and which reduces actual output per worker²⁸. Also, measurements using personnel costs do not take into consideration the fact that the largest union, ACAWU, has salary claims retroactive to 1986.

4.2.0. HRM Strategy in BWIA

Exhibit 2 shows the goals of the HRM department and its strategies for these goals. These are categorised within the objectives of selecting/attracting, developing, evaluating / rewarding and maintaining an effective workforce. The structure of the HRM department which is built around these strategies is indicated at Appendix 6. The behavioural change programme mentioned above is under the guidance of a contracted management

²⁸ One indicator which could incorporate relevant costs areas is contribution margin per available seat hour, that is passenger revenue per flight less the direct cash operating expense (flight crew costs, direct maintenance costs for aircraft, travel agency commission and certain variable station and ground handling expense) of flying the flight or segment.

EXHIBIT 2 HUMAN RESOURCE MANAGEMENT STRATEGY IN BWIA**BUSINESS LEVEL STRATEGY**

- Differentiation
- Cost

Behavioural change programme encourages response to market forces.

GOALS OF HRM

- Commitment
- Flexibility
- Quality

OBJECTIVE	STRATEGY
Select/Attract	Identification of sources internally and externally Attract/select to meet requirements of new strategies,
Develop/Train	Modification of Job descriptions, Focus on customer service, management and supervisory skills and other training needs as identified by line departments, Audit behaviour change programme
Evaluate/Reward	Performance Appraisals, Award Ceremony, Incentive programme
Maintain	Incentive programmes, award ceremony Performance Appraisals, Compensation Change bureaucratic approach of Personnel Services to a more service oriented approach, Computerisation of all records to improve quality and timeliness of information, Development of policy and procedure manual Employee assistance programme, Health and Safety programme.

consultant²⁹. This programme would not be described in detail but it suffices to state its objectives: These are, i. to encourage management staff to view their roles in terms of outputs rather than inputs, performance rather than personality, and achieving rather than doing, ii. to understand that the central issue of management is the identification of effectiveness and to enable management to identify these areas. The role of the HRM department is to extend this influence to other staff and build an organisational culture in line with this concept. This is considered to be the instrument that will remove the attitude of dependence on government and make organisation behaviour responsive to the needs of the market place.

4.2.1. Analysis of HRM Strategy

a. No Planning Function

As stated above section 3.2.2 page 39, HRM replaced the traditional personnel function in airlines as the need to identify HR implications of the business strategy became a key factor in allowing the organisation to achieve its objectives. Also, need to reduce, extend or contain HR levels and keep up with demands of technology called for a planning and forecasting function in personnel management. HR planning seeks to ensure that the right number and kinds of people will be at the right places at the right time and capable of doing those things which are needed so that the organisation can continue to achieve its goals (Miner & Miner:1977). It involves:-

1. Forecasting future needs in terms of skills and the types of HR needed
2. Inventorying existing HR
3. Projecting present resources into the future and comparing the anticipated future position against forecasted needs and
4. Planning the necessary activities- recruiting, selecting, training, compensating, placement required to meet future HR requirements.

There is no Human Resource Planning function in BWIA. The HRM department liaises with user department in determining

²⁹ W.I. Reddin Management Effectiveness Seminar.

the right competency profile for jobs but there is no distinct function which ensures collaboration between it and the user department and brings the business plan in line with human resource capability and availability.

The absence of a planning function translates into weaknesses at other functional areas in HRM which are then unable to effectively service needs at the user department level. Certain positions can easily be filled from the external labour market which provides a surplus of skills in the clerical, administrative, computer fields and for cabin crew. Industry specific skills such as those required in many areas of engineering and maintenance, should for the most part be generated from a well organised and administered internal training programme. But there is a critical shortage of trained and approved³⁰ maintenance staff and there were plans at June this year to recruit some personnel from abroad. Also, two out of the three Corporate Manager positions were vacant, one of them for more than a year.

Staffing problems in the Technical Operations division could be attributed to: inappropriate placement procedure which traditionally provided for promotion of the employee with the most licences with little emphasis on supervisory skills; poaching by foreign airlines particularly those from the Middle East to which went eight approved engineers/technicians; failure of the organisation to provide competitive benefits to new entry (trainee/apprentices) employees (turnover rate for this group is 50% within the first two years); and failure of the organisation to quickly comprehend the problem and revise its compensation package. All of these reasons however, point to a lack of planning - to determine fluctuations in the labour market and respond appropriately and to coordinate the objectives of the department with proficiency levels of personnel. There is some degree of forward planning in determining staffing requirements as fleet levels and operating schedules change. But this is done at the line level and HRM actions generally begin when a requisition is received from the user department. By that time, the department has a short time period within which to obtain and

³⁰ With the required number of licences as defined for the position and authorised by the National Air Transport Licensing Authority.

prepare resources so its goals and targets could be met. Within the organisation structure there are no formal lines of communication among all areas concerned with training, technical, non-technical, cabin crew and pilot. This makes for little informal collaboration among these areas.

A component of planning is job analysis. A job analysis reflects the minimum and desirable qualifications necessary to perform in a specified job and ranks the job in a payment system relative to the value of other jobs in the organisation. It should form part of a recruitment plan which identifies employees' abilities and skills for use in the selection process. The design of a job, its work flow, content and context, indicate the authority relationships, the tasks to be completed and determines the social relationship between the employee doing the job and the immediate supervisor. Traditional approaches to job design of the scientific management era which created routinised, simple functions so unskilled workers could be quickly trained, have given way to more developmental approaches of the management of people in the workplace. These include elements of job satisfaction, participation and recognises employees contribution to organisation effectiveness.

BWIA's present job evaluation plan is based on the traditional point system which considers employees inputs (skill, effort, responsibility). Job descriptions are broken down into specialised distinct tasks which facilitate control and direction from above. In order to achieve the flexibility demanded of a working environment which aims to stress output and effectiveness areas, job design has to be at the centre of the organisation systems. Existing job descriptions do not provide the legal basis for employees to change behaviour, attitudes and output consistent with organisation goals which require that all people be treated as if they were mature, responsible and capable of making decisions. There is also too much room for individual restructuring of jobs and this distorts the organisation structure.

b. Training/Developing

The internal labour market is not sufficiently developed and cannot support the recruitment and selection function. Many times vacant positions are filled from external

sources because existing staff have not been exposed to the training necessary to assume the positions either because they were unable to be released from their positions or training was simply overlooked. This creates the perception of the organisation as an uncaring one and stifles employees' ambitions. From information obtained, it appears as if training programmes are launched before the corporation's real needs have been assessed. This also can be traced to the absence of a HR plan which the department can use to develop an agenda for training over the planning period. Additionally, there is little indication that there are training programmes specifically aimed at meeting needs of the business sector the organisation is targeting. The schedule for customer service training plan is generalised and to an extent routine. It should not be assumed that existing training modes would necessarily meet the demands of a business sector which has peculiar needs on the ground and in the air and around which a total training concept should be built.

One objective of the training and development section of the HRM department is to develop worker participation schemes and participatory management programmes which would facilitate team work and worker involvement in decision making. These are not yet in place. Participation in decision making would bring a level of autonomy and skill interdependencies so employees can develop allegiances to one another and to the organisation. The intangibility of service forces customers to focus on the process of service delivery (physical setting, attitudes and behaviours) and quality assurance is engineered during delivery (Chase, Bowmer:1989). An HRM strategy at this function should focus training on the dynamics on group behaviour and on what mechanisms can be used to direct employee behaviour at the point of delivery when he/she is acting alone. Participation in decisions which affect delivery can improve acceptance of procedures and employees working in teams can draw on one another's resources and strengths to manage the work situation and handle problems which arise. There are bound to be instances when mistakes are made but the benefits derived from team effort (co-ordinated with an effective training programme) are likely to outweigh the occasional mistakes and not justify control systems which stifle initiatives in order to eliminate potential

problems. This is an area in which studies could be done to determine the impact on productivity of employees working as individuals and as groups; a major consideration would be poor service costs incurred (delays, passenger complaints) in the operation of the different systems.

Some areas of the organisation are particularly conducive to implementation of team efforts, example, the Traffic department, and the engineering and maintenance which now organise work around crews. Traditionally a number of individuals work together to despatch a flight; this could be rearranged as follows: - the group of individuals work as a team which objective is, not to despatch a flight, but to provide a high quality service to customers during a given period or over a number of flights.

In developing participatory management programmes and team work systems, human resource managers would have to also prepare supervisors and managers to deal with the rearrangement of power and influence in the organisation.

One previous attempt (1985) to build an organisation culture in BWIA around the theme, "We Care" (about our customers and each other), failed to achieve desired results. This could be attributed to entrenched attitudes which proved resistant to change and the isolation of the programme from other HRM initiatives (job design, planning, participation, teamwork) necessary to give it a real context and a sense of purpose. Culture, described as a shared commitment to a set of behaviour norms is a powerful contributor to the coherence of a firm's behaviour, the level and enthusiasm which participants bring to their work, and to the performance discipline within the organisation (Ansoff, Baker:1986). Culture is one of a number of determinants to the success of a firm and becomes important in times when the critical factors and actions in the market place which should bring the firm to success, change³¹. Implementation of culture does not come through speeches and exhortations but through a combination of the will to respond and

³¹ Ansoff and Baker outline three organisation success models - 1. a product oriented model which was popular during the first 30 years of the century and bases success on the lowest price, undifferentiated product; 2. a marketing oriented model based on anticipating and responding to the needs of customers and 3. a strategy oriented model which views success from being in the right place at the right time and positioning in markets with potential for growth.

the ability to respond. The expected results of the behavioural change programme and what HRM specialists should discern in the organisation is a shared understanding by all of what needs to be done to ensure success of the organisation. In this respect the behaviour of top management should be consistent with the cultural norms espoused, offering rewards and incentives which encourage new behaviour, communicating management information about the criteria for success and revising planning systems in line with the success model.

Existing orientation and induction programmes for new employees are not scheduled early enough to capture the zeal of the new employee and assimilate him/her into the organisation's culture; when programmes are held, on average six months after entry into the organisation, it is observed that employees have already formed opinions on the organisation which are probably based on inaccurate or biased information. This makes it more difficult to socialise new employees and build an organisation culture which will facilitate the attitudinal change the organisation is seeking.

c. Evaluating/Rewarding

An effective evaluation and reward system parallels an effective training programme. BWIA's appraisal programme which suffered from non-implementation and nurtured a system of no accountability was recently (1990) reviewed. The new system addresses some of the short-comings in the previous system. It's design focuses the supervisor on employee job behaviour. In appraising an employee, the supervisor selects a description (a weighted rating) that most closely describes the performance and indicates whether training/development is needed to improve skills and ability or if the employee can be promoted to a higher position.

The system, if well administered (quarterly appraisals appear to be too frequent and may be cumbersome and bureaucratic) can be quite useful in providing critical information for a human resource planning function. Some performance factors, quantity, quality, knowledge, are input oriented and should be revised to reflect output and identify effectiveness areas.

Plans exist for an incentive programme which will

honour high achievers annually. Incentive programmes, payment by performance and other recognition systems are important for motivating employees and contributes to sustaining productivity. The plan is designed to identify individual persons who have performed above the call of duty. If a key to achieving the goal of commitment is participation and group effort and if employees work as groups, then performance feedback, appraisal and compensation should be group based. The plan does not cater for recognition of groups and morale may be adversely affected if one employee from a group is selected by the organisation for special recognition. While it is acknowledged that some individuals do perform above and beyond the call of duty, where it is appropriate to do so, the recommendation should come from group members.

d. Maintenance Functions

i. Support Services

Health and Safety, the Medical Unit, Mail and Printing services, Employee Assistance Programmes and Personnel Services provide support in the HRM programme.

The Mail and Printing department is being reorganised and there are plans to expand the printing facilities so it could be a source of non-traditional revenue.

Health and Safety unit, which includes the Medical Unit has improved over the years. The objective of Health and Safety unit is to maintain the highest possible standard of physical, mental and social well being of all employees and passengers upon whom the economic welfare of the Corporation depends. The Medical Unit aims to ensure a safe and healthy working environment throughout the Corporation. While both have made great strides towards achieving these objectives, they can only be pro-active in so far as they can discern potential problem areas. An analysis of accidents (ground vehicles, aircraft during maintenance and other accidents on the shop floor) over the last four years show that the majority of them (80%) are due to performance errors which eventually lay responsibility at the feet of the performer; for punishment, reform or removal from the Corporation depending on the seriousness of the accident. There is little or no indication that anyone is held accountable; safety as it concerns working conditions and work practices does

not pervade the thinking of management and accidents due to unsafe practices accounts for loss in productive capacity when aircraft are grounded, employees are away from the job and vehicles become inoperative.

The thrust of the business plan gives an additional focus on these areas and to cope effectively, they must have advance information, know the plans of the divisions, the staffing and equipment requirements and new technologies.

The Personnel Department before 1979/80 embraced all activities concerned with recruitment to separation under one department called Personnel Administration. A restructuring of the organisation separated the department into routine Personnel Services, Industrial Relations and created a planning function, the Manpower Planning and Development department. This department had among other the responsibility for planning 'manpower' requirements but (due to lack of resources) limited its focus to training and development, job evaluation and recruitment and selection.

The objective of the Personnel Services (PS) department is to provide timely and efficient service to employees in accordance with benefits, (vacation leave, health benefits, salaries and wages, travel benefits) due to them. This should contribute to sustaining productivity on the basis that employees would be more productive if secure in the knowledge that benefits were being administered effectively. The department functions, where possible, in teams.

The personnel services department, in general, is not perceived as being very efficient or effective. Employees and management of user departments complain that response time to requests take too long. Instances of frustrated employees at service counters indicate that its objectives are not being achieved on a consistent basis. Despite its high level of automation, many procedures are locked into the bureaucratic procedures of the past (decision making is too slow and there are no set efficiency and effectiveness levels or no complete policy manuals which guide operations), and it is struggling with the transition into an output oriented department. Activities are overly concerned with rules and regulations, and reports stress quantitative rather than qualitative findings.

Its systems are designed in such a manner that the

employee being served, has to take time off from duty to collect or deposit requests for services. This could be redesigned to accommodate requests via telephone and deliveries by mail reducing time spent off productive activity. A burdensome task undertaken by the department is the reconciling of vacation and sick leave balances which is always months in arrears. Some thought should be given to whether this activity is really necessary at the PS department especially when the activity is already being performed at the level of the line departments. The PS function as regards leave benefits should be to compile the data, produce reports and ensure the line accounts for irreconcilable leave differences. The department could then more efficiently utilise its resources in qualitative analysis of reports - determining trends throughout the year and relating these with staffing requirements of the business plan. Such reports can identify for example, fluctuations in staffing levels at peak and trough periods in the organisation planning cycle, or trends in absences due to sickness for the attention of either Industrial Relations and/or the Employee Services Unit.

The Employee Services Unit houses an Employee Assistance Programme designed to help employees with emotional or substance abuse problems. This replaced a previous overseas call-in help service system which had low utilisation levels but some successful cases of rehabilitation. The new system has the capability of providing more benefits for same or lower costs. Its effectiveness would be measured by the utilisation levels (ability to get employees to confide in the system) and its contribution to the perception of the organisation as a caring employer.

ii. Industrial Relations

Standing outside the HRM department is the Industrial Relations (IR) department. Its objective is to maintain harmonious labour/management relations in the organisation which are conducive to work and contribute to productivity.

It operationalises this goal by maintaining employee and organisational discipline and negotiating cost effective labour contracts. In matters of employee discipline, the line department is not constrained to accept the advice of the IR department which performs in an advisory capacity. On matters of

negotiations, mandates come from executive management or Board level.

This department, like Personnel, is an offspring of the early Personnel Administration Department and prior to 1979 dominated the Personnel Administration department. Despite the fact that the organisation is categorised under the Industrial Relations Act (1972) as an essential service and industrial action is prohibited, the potential for conflict was always present. Policy making and development issues were swamped under the weight of grievance handling and disputes. Development issues and some aspects of policy making are now lodged with the Human Resources Management department but the IR function and its management of labour/management relations still impact on how the HRM department functions.

IR activities for achieving its objectives include periodic meetings with line management and the unions on matters of discipline, contract interpretation, policy making, negotiations for new collective agreements. It also acts on behalf of the Corporation on matters in which third parties (Ministry of Labour, Industrial Court) are involved. Disciplinary procedures are dictated to a large extent by the wider legislative environment and case law from the Industrial Court. In matters involving disputes between a worker and management, the Court requires that the employer show proof that the principles of natural justice were followed. In its efforts to meet the requirements of the wider system, IR sometimes loses sight of the organisation's goals. For example, in disciplinary matters involving absenteeism, a detailed procedure is followed. This involves the line department keenly monitoring employee behaviour in order to document every infraction. During this process, sometimes opportunities to determine the cause of the problem are overlooked. While it is necessary for the organisation to meet the requirements of the wider legislative system, there is some room for flexibility. IR's internal Code of Practice stresses "the principles of freely conducted collective bargaining, orderly procedures for settling disputes, free association of workers and employers and the freedom and security for workers" with the underlying theme of "good human relations between the corporation and its employees based on trust". Thus far, in matters of discipline the department has

remained inflexible and it is not effective at averting situations which cause labour/management discord largely because there are no monitoring systems for identifying trends in labour management relations.

During the last decade the incidence of labour/management conflict increased³². Part-time employees were introduced into the organisation in 1985 enabling management to have flexibility in managing its human resources and controlling labour costs but this was challenged by ACAWU and has contributed to worsening the labour management relations between both groups. The matter is yet to be determined by the Industrial Court. The deterioration in labour/management relations was also fuelled by a general perception that management treated with the Pilots Association in a manner more favourable than other employees.

The process of collective bargaining deals with organisation issues such as wages, benefits and working conditions. It is based on the principles of negotiations -in order to win on an important issue, the negotiator is willing to sustain loss on another. In BWIA management prerogative is brought to bear on a number of issues, recruitment, work processes, information technology, reducing or extending operations, all subject to provisions of the collective agreements (that is to consult with the union). Innovative methods were used in collective bargaining which helped to control personnel costs during the organisation's survival phase and at the same time ensure no loss of benefits to employees. Automatic annual increments were ceased and a payment by performance system was implemented; payment of lumpsum amounts in lieu of salary increases for successive three-year contractual periods; special agreements with engineers and technicians covering payment for licences acquired; flexible working hours; flexible arrangements for the payment of overtime and the establishment of a sick leave bank³³.

³² This was particularly noticeable after 1983 when a new union (ACAWU) took over control of the non-senior staff bargaining unit of approximately 1400 members from CATTU. Disputes, i.e. matters before a third party, rose by as much as 400%.

³³ Sick leave banks were established with all the unions. Whereas collective agreements provided for a basic twenty working days leave with pay in cases of illness, no provisions existed for cases of extended illnesses beyond six months. This agreement allowed for each employee to deposit to the 'bank' a certain number of days each year. Employees on extended sick leave can then be paid from this bank for up to three years after which he retires from the Corporation.

But if the effectiveness of the IR department was measured by the number of grievances and disputes, instances of indiscipline and by success in settling collective agreements, then the IR department would fall short of being effective. As many as 350 instances of indiscipline are recorded each year and matters before third parties average 25. Much of Labour Officers' time is spent reacting to situations and little time is spent with user departments and the trade unions analyzing trends and preempting problems.

Collective agreements for two consecutive periods, 1986-1989 and 1989 to 1992 for ACAWU are outstanding and will be decided on by the Industrial Court. All other agreements in Trinidad and Tobago have been settled. Non-settlement could easily be attributed to the fact that as the union which represents non-senior staff, ACAWU's demands are higher than that of the settlement given to the next higher level union, CATTU, to which given the pay structure³⁴, the Corporation cannot accede and it is doubtful whether the Industrial Court would.

But the root of this apparent unreasonable request when examined could be traced to ACAWU's overall resistance to any effort initiated by management and its continued calls for more participation into the realm of 'management prerogatives'. Management operating in a pluralist³⁵ framework, adopts a unitarist approach to collective bargaining. At a time when the corporation is facing global competition and seeking foreign investment, peaceful labour/management relations is critical and the traditional adversarial relationship between labour and

³⁴ One pay structure exists for both ACAWU and CATTU. This ranks all jobs in these bargaining units in 12 grades; ACAWU represents all jobs in 1-4, some in 5-9 and all cabin crew; CATTU represents some jobs in 5-9 and all between 10-12. CATTU has accepted lumpsum salary payment in lieu of a salary increase; ACAWU is requesting increases which will distort the pay structure.

³⁵ A pluralist ideology assumes that both labour and management work towards the common goal of industrial peace and stability achieved in the context of an accord between labour and management. A unitarist perspective assumes that management and union understand the goals and work together to achieve them. It leaves no room for differing perspectives and management does not acknowledge the legitimacy of aberrant behaviour. It has been argued that the pluralist ideology is inappropriate in a competitive environment which requires quick response time and flexibility in decision making. The 'new industrial relations' (Dunn:1990) does not present radical changes to the pluralist ideology (both promise workers a share in benefits of economic growth and both emphasise industrial democracy). The difference is that the initiative is by management. What it has sought to do in some cases, notably the US is encourage management to penetrate work experience without the intervening force of the union. This threatens to undercut solidarity and union consciousness and could be a disruptive force in environments where unions are strongly entrenched. Generally it is found that where labour/management relations is already cooperative and collaborative, dual loyalties is possible; where it is not employees would give loyalty to one or the other or neither (Guest:1990)

management is an obstacle to meeting competitive challenges. The first ten years of deregulation was an era of 'give back' by many unions in countries which implemented these policies and an overall decline in employee conditions. Management wants to hold on to productivity and salary concessions to continue to keep costs down and are finding that co-operative arrangements are proving to be effective despite the fact that union power has weakened and concessions could be more easily obtained. But no airline, however profitable, would wish to repeat the experiences of Eastern Airlines and Trans World Airways³⁶ and so in their labour/management relations, demands on both sides are tempered.

BWIA needs to review the applicability of its existing systems in the context of its goals and objectives and where these do not facilitate collaboration and cooperation with trade unions in matters which affect the welfare of employees, they should be changed. This includes matters of discipline, restructuring, reorganisation and overall corporate planning. Provisions for counselling committees on matters of indiscipline exist for ASA (Article 11) and CATTU; TALPA has provisions for consultations on matters other than terms and conditions of service (Article 17.1,2,3,4.) Similar provisions should be considered for ACAWU. The disciplinary system should be the primary vehicle for generating employee commitment to organisation goals but this instead, a barrier. The existing system stops short at enlisting commitment to organisation goals. For example, in the case of absenteeism, the employee is warned that future infractions would incur more serious action, the infraction is documented and employee performance is monitored. This continues to place a strain on the employee/employer relationship. While procedural arrangements as laid down by the IR department are necessary, a social dimension to the labour/management relations is needed so that relationships could continue to flourish.

Terms and conditions of service must be decided by the collective bargaining process but this could be made less conflictual. It parties trust each other and if unions have access to information or are part of corporate planning, there

³⁶ Prolonged strikes resulted in poor on-board service, claims of unsafe conditions and general fall in market share. TWA took a long time to recover, Eastern never did.

could be less resistance ³⁷. Understanding and being part of the plans may not eliminate all resistance but will significantly reduce it. Many occasions of discordance are due to misunderstandings or failure to communicate. The truth of this is borne out by the fact that resistance to management initiatives do not come from all the unions. In general, where there is a more cooperative relationship, disagreements are more easily worked out but this needs to be institutionalised.

The infrastructure already exists at Board level in BWIA for participation of two workers representative who are nominated by the unions. The only obstacle to translating this at lower levels is management's desire to hold on to what is traditionally perceived as 'management prerogatives'. Of course trade unions could help by having confidence in management, but the initiative must come from management.

Structurally, IR falls outside the HRM department and reports directly to the Corporate Manager. The relationship which exists between both departments and their role perceptions have implications for a strategic human resource management process. IR views its functions in scientific management terms, its objectives are limited to compliances activities. In matters of discipline, its procedure follows a pattern which imply that if employees are treated progressively worse, they would progressively get better; HRM on the other hand views its objectives as the development of the organisation's human resources which implies that if employees are treated better they would perform better. Both are incompatible. As a distinct function outside of HRM, the image of IR as af a fire-fighting, policing activity is perpetuated. IR activities should be integrated with HRM so that a long-term cooperative relationship could be established between labour and management involving an integration of the worker, the task, the technology with a management style which is developmental. In disciplinary matters this would bring together the effects and the cause of a problem.

³⁷ KLM, a highly unionised airline, was successful at dealing with the problem of union resistance by making the resisters part of the plan. This, it was found, engendered a better working relationship than one which existed when plans were made by management, then presented to the union. SAS also recognised the potential unions had for making a crucial contribution to corporate effort. The decentralisation of its decision making process changed the role of unions as the rank and file now made decisions as an ongoing part of their new role. The role of the unions was changed to, cooperating with top management in establishing direction and strategy, examining how well the corporation was complying with labour laws, and its traditional role of negotiation. But overall the relationship became less adversarial.

For the purposes of collective bargaining an IR strategy should form part of the overall HRM strategy and aim at reducing the time and resources spent in the negotiation process.

4.3. Limitations and Practice of HRM

The analysis of HRM in BWIA begs the question, whether there is really any difference between traditional Personnel Management and Human Resource Management. In BWIA, it would seem that the difference is a matter of terminology. Or perhaps there is a difference which is not reflected when one analyses the HRM system in BWIA either because its principles are not being followed or because HRM itself is limited in application. It would be useful to review some of these limitations and the practice of HRM in other organisations. Since information is not available on HRM in Trinidad and Tobago, discussions would focus on HRM in the UK/Europe, Japan and the USA.

4.3.1. Limitations of HRM

One of the guiding principles of HRM is the mutual achievement of employees needs and the organisation's goals and objectives. HRM regards employees as assets and like any other asset, they must contribute to the effectiveness of the organisation. Inherent in this is the presumption that only those employees who contribute will have their needs satisfied. Hence HRM strategies are likely to focus on areas where contribution is easily measurable:- the core areas of the organisation, those directly involved in the production of goods and services. It also presupposes that among these core employees, those who do not meet the standards set by the organisation, must be weeded out. The view of HR as assets also imply that casual, temporary or part-time employees are excluded from focus.

In areas where contribution is not easily measurable, or where it is measurable but not measured, the benefits of HRM are not observed. There is the long standing perception that pilots receive benefits in a more than proportionate manner when compared to other staff. Whether or not this is so would not be argued here but it is evident that because of the structure of their compensation package, pilots do productivity bargaining. The easily measurable costs and benefits (which bear on aircraft utilisation and hence productivity) speed up the process of

negotiations. Thus it appears that 'pilots always get what they ask for'. Productivity could be measured at other core areas in the organisation, but this is not done.

The goal of achieving flexibility in the labour force has spurred management to increase its complement of part-time and temporary workers. Part-time employees in BWIA make up 35% of the airline's flight attendants and 11% overall. They have a compensation package separate from permanent full time employees, are not part of pension plan, do not receive the same vacation, sick and maternity benefits as full time employees³⁸ and remain on the fringes of the organisations. While this category of staff is necessary and cost effective given the peaks and troughs in the industry, their employment in BWIA contributed to worsening of the labour/management relations.

The goal of achieving quality (in work and people) make it fairly easy for employers to terminate the services of employees when standards are not met regardless of how unreasonable standards may be. The need for job security, better wages and benefits, better working conditions, fair and just supervision are some reasons why workers join unions. HRM tries to attend to these needs. It places the responsibility of performance problems on the shoulders of the manager. A skill management must have is the ability to analyze performance problems, to determine whether substandard performance is due to lack of skills, motivation, personal problems, or indiscipline and find solutions. If effective, this has the potential to reduce indiscipline on the workfloor. The HRM process is in effect, seeking to regain managerial autonomy in the control of the workplace. In a highly unionised environment this can work to marginalise unions.

4.3.2. Practice of HRM

A study by Guest (1990, 1991) provides useful information on how HRM has been practiced. This showed that beginning from the 1980's, IR and Personnel departments and debates on pluralism and tripartitism were less common in the UK

³⁸ The concept of part-time workers and two-tier compensation has become normal in the airline industry. Two-tier compensation was initiated by American Airlines (1983) when the pilots association agreed for AA to recruit new pilots at a lower rate than what then existed.

strategic importance was obscured. Guest explains that its continued attraction remained in its strategic importance; the integration of HRM policies and values into the day to day practices of all managers as seen in the case of Japan and some success stories around the world³⁹. The anti-labour stance of HRM in the US has not been popular in UK or Europe and it is not expected that it will be. The evolving Social Charter⁴⁰ is seen as evidence that the unfettered market is still open to challenge.

4.3.3. Justification for HRM in the Caribbean

At the regional level in the Caribbean, the IR system has been changing as one major actor, the trade unions, continues to be weakened in the current economic environment. But development tasks facing the region make it mandatory that development strategies impose responsibility on all major social groupings rather than one dominant economic group. At the macro-economic planning level, development strategies are being founded on the notion of a social partnership - full and complementary use of the efforts of all socio-economic groups⁴¹. Organisations, as beneficiaries of the output (the people) of national human resource development strategies can determine the nature of the national and regional business environment by the manner in which this output is utilised. In this context the principles and goals of HRM become significant as the means of inculcating values and attitudes which contribute to organisational development and social stability. HRM cannot in the Caribbean, be approached in an anti-union manner as it has been in the USA; nor should it be considered the 'new industrial relations' as at the

³⁹ Some successful airlines have had explicit statements of a strategic role for HRM, example, BA - "...to sustain a working environment that attracts, retain and develops committed employees who share in the success of the company..." (1991); SIA "...to adopt human resource management practices company wide that attracts, develops, motivates and retains employees who contribute to the company's objectives..." (1986). SAS turnaround strategy in 1981 was achieved in part by placing focus on the human resources - empowering the front line people, turning the organisation upside down and giving them responsibility, autonomy and allowing participation in decision making.

⁴⁰ Proposals provide for inter alia - freedom of association and collective bargaining to be a basic right, equal treatment for men and women to be guaranteed, consultation and worker participation to be basic rights.

⁴¹ Noted in working document prepared by the Planning Commission for Regional Economic Conference, entitled, 'Guidelines for Economic Development Strategy for CARICOM countries into the 21st Century', Port of Spain, 1989.

organisational level it is broader than IR.

Industrial Relations gained in depth as management attempted to supplant the restrictive pluralist framework with a more collaborative relationship between workers and employers. It has also gained in breadth as new technologies, changing management practices, international competition and globalisation and their effects on labour and the entire spectrum of employee relation policies and actions, encroach into the traditional collective bargaining agenda. IR cannot continue to be a discrete activity; it is part of a broader range of activities and not restricted to activities around the negotiating table. Although collective bargaining remains a focal point, the management of people, HR planning, job design and commitment are as important as the union problem and influence the conduct of collective bargaining. A human resources management framework provides the necessary context within which IR can function.

4.3.4. Summary and Recommendations

In BWIA, HRM principles and activities are well intentioned and documented but have only cosmetic value. Plans which will operationalise goals and objectives are lacking; in some instances plans are either not implemented or inappropriately implemented. In general the system suffers from the perception of inefficiency, inaccuracy and irrelevance and remains on the periphery of organisational concerns. The absence of a planning function means that there is no mechanism which links HRM activities with the business plan and the department functions in a reactive rather than proactive manner; not very differently from the old Personnel Administration Department. Also, the goal of employee commitment is frustrated as IR stands as a discrete activity outside HRM. The organisation is likely to encounter difficulty in acquiring and mobilising human resources around the business plan and HR shortages both in quality and quantity could create bottlenecks in the implementation of sound plans. There are some innovations such as increased training, more specialist staff and improvements in information technology. The drive to change organisational behaviour is appropriate but only the beginning of a change process; an effective HRM programme incorporating the full range of HRM activities integrated with the business plan, is needed

to sustain this drive.

Recommendations here for the HRM system are intended to serve practical purposes. They are categorized into those concerning structure and strategy.

a. Structure

i. A new function should be introduced into the HRM structure - that of Organisational Planning which should embrace a planning function, training and development, job evaluation (manpower analyst), employment and career planning and compensation functions. This would bring activities such as forecasting HR requirements and succession planning into the HRM system and would facilitate the building of an internal labour market.

ii. IR should be brought within the HRM structure. It is recognised that this may create problems with personnel as both department are currently headed by staff members who are at the same levels in the organisation. The eventual decision should not hinder an effective organisation structure or management of the HRM system.

b. Strategy

i. Once the department begins to plan its HRM strategies in conjunction with the business plan, then many areas in which activities are at variance with the organisation's goals would be identified and appropriate changes could be made. Easily recognisable would be the Personnel and Industrial Relations departments; the behaviour and image of these departments should be brought in line with organisation's goals. Outstanding plans should be implemented (worker participation, performance appraisal, incentive programme) and in some cases, redefined or new plans developed.

ii. Training/development should focus activities on personal development and motivation as the key to improving the airline's image and performance. This involves creating an organisation culture around some theme which highlights the manner in which the organisation wishes the national, regional and international environment to perceive it. One way could be to build an image around the theme 'We are the Caribbean' by projecting the sunny nature of Caribbean

people as a factor which distinguishes the airline from any other.

This training and development function should also focus on how employees can deal with individual stresses and build supportive teamwork and supervision. With the HR plan, it can begin to work towards developing internal labour market.

iii. Industrial Relations policies and procedures should allow for more participation in decision making by Trade Unions; a framework should be created which allows for more participation by the trade unions in corporate planning. Avenues where productivity bargaining is possible should be explored and utilised.

Appendix 7 is an operational paradigm that relates the business level strategic plan of BWIA with a human resource management programme designed to illustrate how the HRM can be weaved into the strategies to produce an HRM cycle of attracting/selecting, developing, evaluating/training and maintaining human resources through all stages of the business plan.

c. Role of the Trade Unions

The role and functions of traditional IR and PM departments were adjusted to suit the demands of the wider socio-economic environment. So too must the role and functioning of trade unions. Dunn (1990) noted that trade unions may inevitably learn to cope with the new environment of business competition, but to do so their traditional outlook must change. Historically, labour/management relations in the Caribbean have been antagonistic, developing from what is referred to as "overseer management" - rigid control of labour by supervisors and continuous resistance by workers. This attitude is outmoded in today's society but the historic legacy of colonialism created suspicion between worker and manager, of which some traces still remain. Protective labour legislation has evolved over the years to regulate the relationship and create an environment for peaceful collective bargaining and resolution of disputes. Therefore at the organisational level, the IR department and trade unions, have to fashion an industrial relations system which is both positive and productive.

Within BWIA, the decline in economic conditions and

lack of government support have made it difficult for unions to continue to secure increases in benefits for their members, but the influence of the unions remain particularly as the wider system affords them institutional security and independence. Antagonistic labour/management relations swerve employee loyalty, particularly of those who belong to ACAWU, towards the union and this impacts negatively on organisational development. Labour unions have not become sufficiently involved in development planning and the production side of the organisational system; their concerns have mainly been on the distribution issue. This has led to an amount of indifference to efficiency and effectiveness in service/production which has hampered organisation's efforts to initiate change.

Unions have to embrace initiatives taken by management to encourage cooperation and collaboration. Leaders need to understand the complexities of compensation and benefit systems, technological changes, HRM matters such as job content, career development, retraining, worker participation on the shop floor, corporate decision making, health and safety standards and the sophisticated aspects of health care and pension plans and use this information in the collective bargaining process. They need to diversify activities into the provision of social benefits for workers, while at the same time ensuring the organisation complies with labour laws and so increase worker confidence.

Some constraints are evident. There is still a generation of trade unions which are schooled in the methods of unionism by protest and who see IR as distinct from the broad socio-economic environment within which the organisation operates. Labour education needs to be extended to training to dispel the image which management has of unions; that of being unable to understand the intricacies of business management and economics. Institutional arrangements exist at the national level for such far reaching changes in outlook but it is difficult to envisage participation in this change by unions in BWIA, at least in the short term. These unions are largely comprised of BWIA employees and have the characteristics of enterprise unions. Most union officials also have responsibilities towards the Corporation. But changes could begin with the trust, co-operation and collaboration they themselves have been soliciting. The

prospect of privatisation makes this a necessity⁴².

4.4. Conclusions

Some 12 or 13 years ago, air transport was tightly regulated, carriers bought rather than leased aircraft and computers were rudimentary. Much has changed. Most surviving independent airlines today have similar features, efficient route networks essential to hub and spoke concept, focus organisation structure and strategy around marketing and have control on labour costs by working with trade unions or eliminating them altogether. State owned or protected airlines were not immune to the pressures of selecting a proper strategy and have had to keep pace with costs or risk failure. With their unpreparedness, deregulation/liberalisation brings at best increased state support and at worst, bankruptcy. Privatisation can allow BWIA the flexibility and independence to operate in the competitive environment. Ideally, this should be coupled with a strategy of regionalism and/or a strategic partner.

Some challenges which the organisation would soon have to face are, the possibility that the European Commission will negotiate bi-laterals as a bloc⁴³, the impending expansion of air and sea facilities in the departments of Martinique and Guadeloupe by the French Government and the expansion of Cubana airways into Europe and Canada. These last two present areas of potential competition in the international industry.

Some strategic factors present both advantages and threats to BWIA:-

- mergers and alliances will continue and there will be less scope for small carriers in the international market; to survive a small airline must offer a competitively priced differentiated product
- CRS systems provided a competitive edge to large mega-

⁴² Collective agreements with TALPA (sec21.1), ACAWU (Art4.c.) and CATTU have provisions which ensure in the case of mergers/consolidations, that the Corporation would its office to secure recognition of Agreement to successors or assignees of the Corporation. The Corporation undertakes to meet to negotiate proper provisions for employee protection. This is not as specific but implied in collective agreement with ASA, art. 2.c. Recognition therefore is not automatic given a corporate merger/consolidation.

⁴³ EC negotiations as a bloc would have implications for existing bi-laterals (which may become a cabotage issue after 1992) and fifth freedom rights. Regional groupings are discussing the possibility and implications - Orient Airlines Association, Latin American Air Transport Association, the Association of South East Asian Nations.

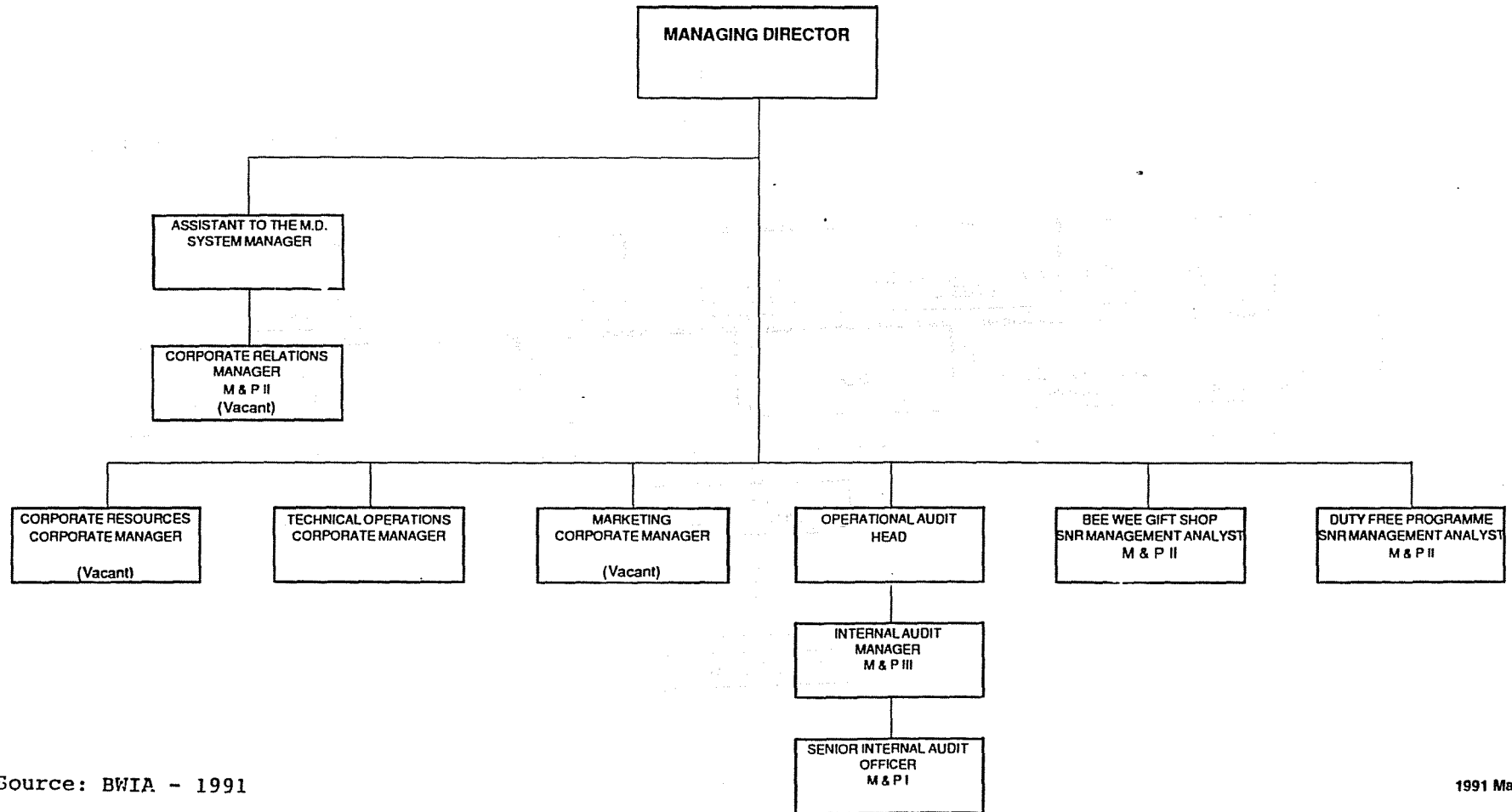
carriers but this is being gradually eroded as they become increasingly neutralised and globalised. Small airlines can gain access and this offers the tools for accurate yield and seat management.

- more demands will be placed on staff and; numbers will fall as automation increases but salary levels may increase.
- aircraft leasing facilities make acquisition of fleet relatively easy for small airlines with little capital ~~loss~~.

While in general deregulation was beneficial to the industry and the consumer, many factors are now converging and threatening to impact on the industry structure:- concerns about the increasing globalisation, rising market shares and airline control of hubs bring fears of rising airfares; increasing congestion at airports frustrate passengers and increase the risk of accidents (infrastructure has not kept pace with volume of activity); pressure from some airlines which find it difficult to apply lessons of deregulation to themselves since their geographical and cultural patterns are different; and the possible inclusion of aviation into a general agreement on trade in services.

These concerns have brought calls for reregulation. Although regulation may never again regain its original status, organisations must be ready. This requires that airlines in the Caribbean region release energies from short term crisis management situations and engage in long term strategic planning which will prepare them for the world of tomorrow.

OFFICE OF THE MANAGING DIRECTOR

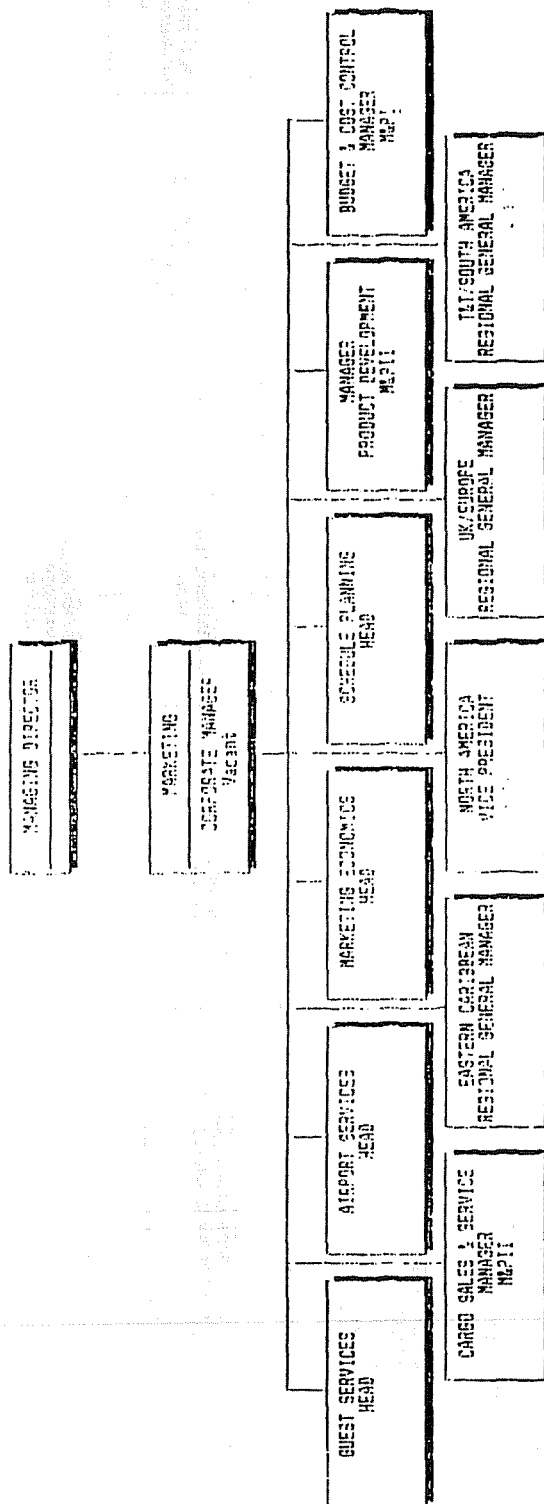


Source: BWIA - 1991

1991 May 10

Appendix 2

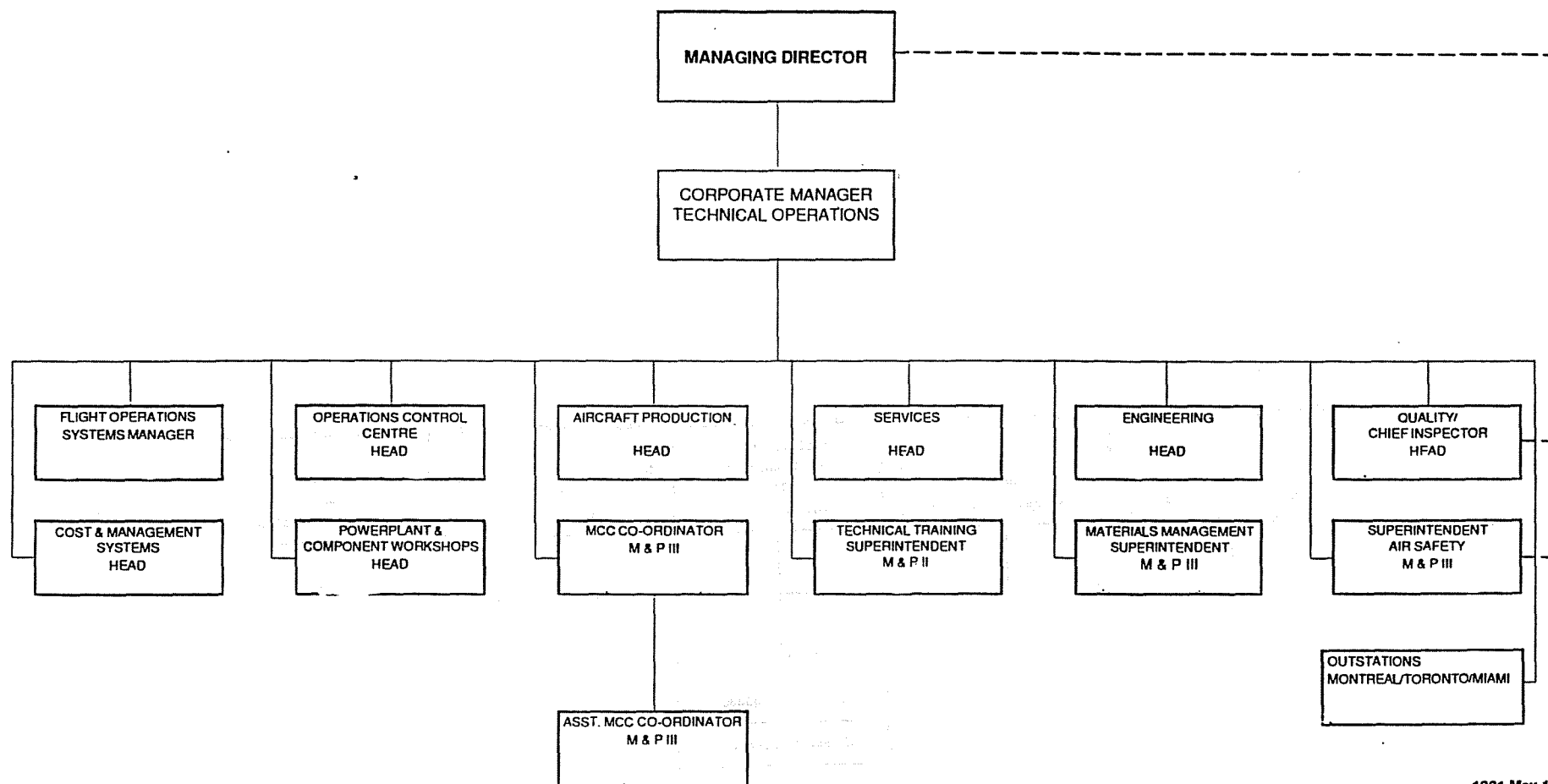
MARKETING DIVISION



May 10, 1991

Source: BWIA - 1991

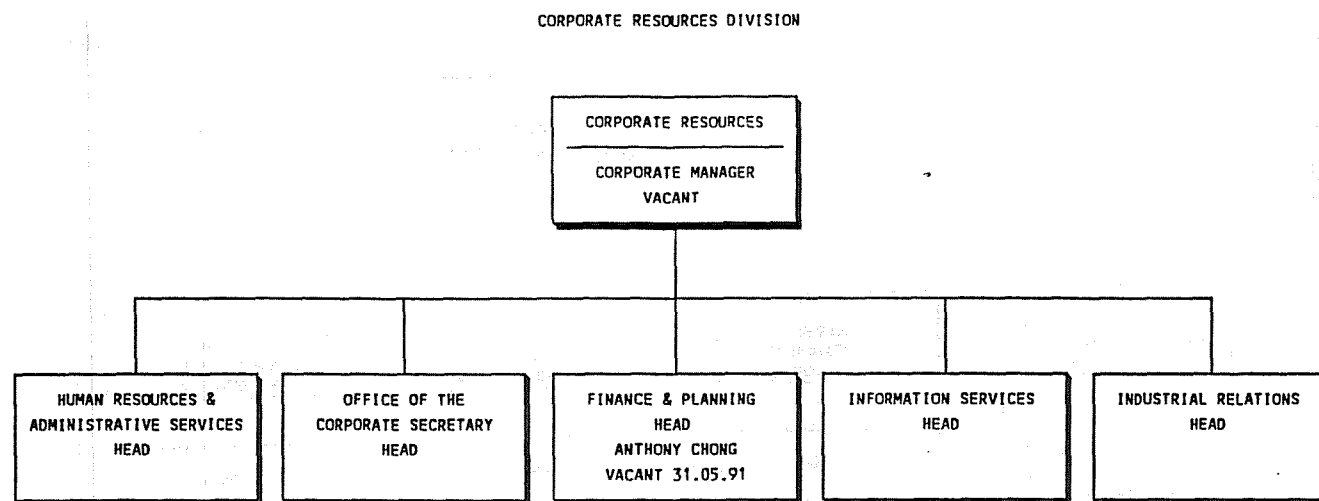
TECHNICAL OPERATIONS DIVISION



1991 May 10

Source: BWIA - 1991

Appendix 4



Source: BWIA - 1991

	STANDARDS World or other	BWIA	
1 No of employees per aircraft	AA - 160 ('90) BA - 221 ('90) KLM-250 ('90) AC - 200 ('90)	195 ('90)	
2 Labour Costs as % of operating expenses	*32.1%('89/90) *34.0%('89) @20.0%('90)	20% ('91)	*Europe *U.S.A. @E. Asia
3 Productivity	30.0 ('89)	61.0 ('89)	Measured in ASM/employee dollar cost.
4 Staff util- isation level	*3.8 ('90)	4.8 ('91)	Operating revenue divided by personnel cost *Average 38 world airlines.
5 Yields	15.8 - BA ('89) 12.0 - AA ('89) 13.0 - AC ('89)	9.5 ('89)	U.S. cents
6 Costs	*\$2.61 ('87)	\$3.30('87)	Fuel and maintenance only. *Ave- rage 6 US airlines.
7 Average age of Aircraft		10 yrs 3 yrs	Widebodied Narrow- bodied Industry std deprecia- tion - 15- 20 yrs. All Aircraft meet legal noise req. levels.
8 Passenger Load Factor	70% KLM ('90) 74% SIA ('88) 67.1% IATA average '88	69.8%('90)	The % that rev passenger mile is of available seat miles

<u>Goal</u>	<u>Status</u>
Profitability	Not achieved to date
Privatisation	On target for end 1991
Expansion into Europe	On target end 1991
Expansion non-traditional areas	On target 1991
Extension third party maintenance	On target 1991
On time performance	International operations - 90% within 30 minutes and 100% within 180 minutes Domestic operations - 95% within 30 minutes and 100% within 120 minutes.
Schedule integrity	98.5%
International station proficiency	80-85% Piarco; 95% other
Baggage delivery	Within 20-30 minutes of complete stop at ramp.
Computer reliability	99%
Reservation systems reliability	98.25%
Complaints generated	Baggage: 0.3 per 1000 passengers and Traffic: 0.1 per 1000 passengers. Resolution within 20 working days after receipt of complaint.

Staffing levels, Unionisation, Aircraft Mix, Gateways.

Staffing Levels

The organisation has a staffing level of 2542 throughout the system, of which 11% are part-time or temporary and approximately 450 located outside of Trinidad & Tobago. The breakdown of staff is as follows:

Aministration:	24
Marketing :	1205
Technical Ops:	915
Corporate Res:	398

Unionisation

It is highly unionised (90%) throughout its international network with four of the nine unions in Trinidad & Tobago. These are:

- Trinidad & Tobago Airline Pilots Association - (TALPA) app. 150 members-
- Airline Superintendent's Association (Management)- (ASA) app. 125 members
- Communication and Transport Workers Union (CATTU) senior supervisory staff app. 320 members and
- Aviation, Communication and Allied Workers Union - (ACAWU) non-senior staff- app. 1400 members*.

*Represents number of persons in the Bargaining unit, which are not necessarily paying union members. However, negotiated benefits apply to all members.

Gateways

Its current gateways are:

Europe - London, Stockholm, Cologne, Frankfurt, Zurich.
Canada- Toronto
South America - Caracas, Georgetown
Mainland U.S.A. - New York, Miami
Caribbean - Jamaica, Haiti, Puerto Rico, St. Croix, St. Maarten, Antigua, St. Kitts, St. Lucia, Barbados, Grenada, Tobago, Trinidad, Curacao, Aruba.

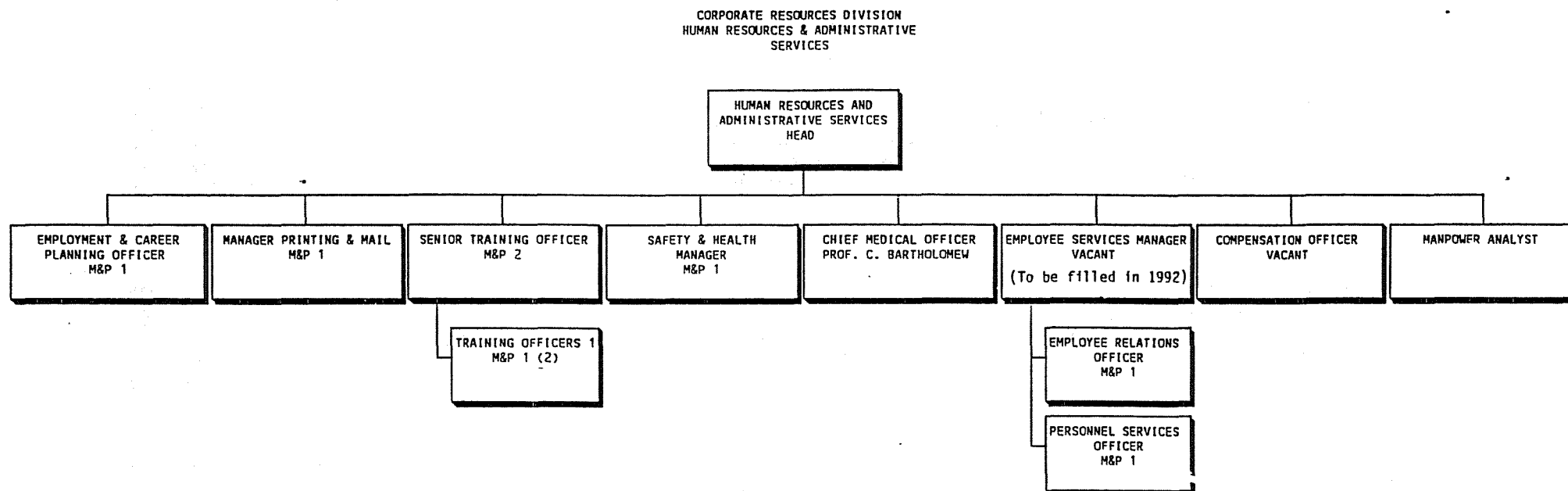
Aircraft Mix

Thirteen aircraft operate these routes; four wide bodied which are all leased with payments met by the government and 9 narrow bodied with lease payments met by the airline.

Non Traditional Activities

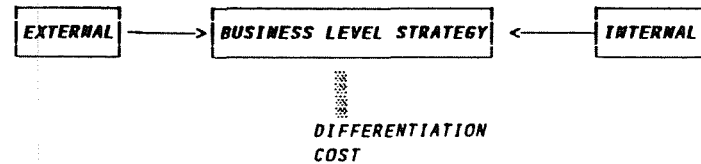
Catering services
Duty Free shops
Gift Shops
Sale of Training and information services in Trinidad and Tobago and the Caribbean
Plans for sale of maintenance services.

APPENDIX 6



Source: BWIA - 1991

BUSINESS ENVIRONMENTAL ANALYSIS



SECTOR TARGETS	SERVICE	N.T.A.	COST/REVENUE	STRATEGY
Technical skills, Sales and Marketing Skills, Interpersonal skills, Long term focus External sources initially, mainly internal	Interpersonal skills, Technical Skills, Appearance, Internal sources, some external	Entrepreneurial, flexible, long term focus, creative, innovative, External sources, some internal	Skills based, Risk takers, Risk avoiders.	HRM ACTIVITY CYCLE ATTRACT/SELECT Internal - External Skills, sources, attitudes
Specialised training, Broad Career paths, Worker participation Participatory management Develop internal labour market	Commitment, Team work, Worker participation, Broad career paths, Commitment	Conferences, seminars, Dual career paths	Commitment, Results oriented criteria.	TRAIN/DEVELOP Group - individual Internal - external Narrow paths - broad paths Limited socialisation - extensive socialisation
Results based on short term and long term Results based on short and long term objectives, Monetary incentives - individual and group	Client feedback, Promotion from within, Individual and group reward	Quantified objective setting based on goal achievement in short and long term . Monetary incentives,	Quantified objective setting based on goal achievement Monetary incentive	EVALUATE/REWARD Individual vs group performance Behaviour vs results Long term vs short term criteria
Job security, Productivity linked compensation, Efficient services, Cooperative labour management relations via union participation.	Job security, Compensation, Efficient services, Co-operative labour management relations	Recognition, Autonomy, Attractive and flexible compensation package, Efficient services	Job Security Compensation linked to performance Efficient services Cooperative labour/mgmt relations	MAINTAIN Participation vs non participation Compensation :- productivity/performance vs seniority Lab/Mgmt:- Trad - non-trad Low Security - high security

Exhibit 3 considers four organisational strategies, the sectors which are being targeted, the service strategy, the area of non traditional activities and containing costs/enhancing revenues.

The HRM strategy for one of these, achieving high quality service would be traced. This requires that HR planning function co-ordinate with departments managers and operationalise the programme for achieving its goals into a short, medium and long term agenda of HR requirements. This involves a definition of characteristics and proficiency levels of resources needed, identification of training requirements and incentives for motivation and commitment.

Skills are defined and sources whether external or internal are identified - interpersonal skills for customer contact positions, negotiating skills and some measure of diplomacy in those employees who may be involved in negotiating route rights with government officials, and technical skills in the area of marketing economics or engineering.

Ideally such positions should be filled from from internal sources but external sources should be identified in the event this cannot be done.

In developing the training/development strategy the following should be considered:- whether employees need to work as individuals or in groups, whether broad or narrow career paths can be developed and the extent of socialisation. The reward system should match the development plan. Considerations here would be whether rewards should be based on behaviour or results, short term or long term criteria.

A maintenance function should ensure a system exists which harmonises the relationship between trade unions and minimises the time and resources spent in collective bargaining and disciplinary matters - should the disciplinary systems be traditional or non-traditional; should compensation be performance/productivity based or by seniority; should the organisation provide high or low levels of security for these employees.

The selection of leaders is particularly important. HRM has the critical role of identifying and selecting strong visionary leaders who can motivate employees to contribute to the organisation and developing potential leaders from internal sources.

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