

## Case Study The British Airways Swipe Card Debacle

### THE STRIKE

On Friday, July 18, 2003, British Airways (BA) staff in Terminals 1 and 4 at London's busy Heathrow Airport held a 24-hour wildcat strike. The strike was not officially sanctioned by the trade unions but was a spontaneous action by over 250 check-in staff who walked out at 4 p.m. The wildcat strike occurred at the start of a peak holiday season weekend, which led to chaotic scenes at Heathrow. Some 60 departure flights were grounded and over 10,000 passengers left stranded.<sup>82</sup> The situation was heralded as the worst industrial situation BA had faced since 1997 when a strike was called by its cabin crew.<sup>83</sup> BA's response was to cancel its services from both terminals, apologize for the disruption, and ask those who were due to fly not to go to the airport as they would be unable to service them.<sup>84</sup> BA also set up a tent outside Heathrow to provide refreshments and police were called in to manage the crowd.<sup>85</sup> BA was criticized by many American visitors who were trying to fly back to the United States for not providing them with sufficient information about what was going on.<sup>86</sup> Staff returned to work on Saturday evening, but the effects of the strike flowed on through the weekend. By Monday morning, July 21, BA reported that Heathrow was still extremely busy: "There is still a large backlog of more than 1,000 passengers from services cancelled over the weekend. We are doing everything we can to get these passengers away in the next couple of days."<sup>87</sup>

As a result of the strike, BA lost around £40 million and its reputation was severely dented. The strike also came at a time when BA was still recovering from other environmental jolts, such as 9/11, the Iraqi war, SARS, and inroads on its markets from budget airlines.<sup>88</sup> Afterwards, BA revealed that it lost over 100,000 customers as a result of the dispute.<sup>89</sup>

### THE CHANGE ISSUE: SWIPE CARDS

BA staff were protesting the introduction of a system for electronic clocking-in

that would record when they started and finished work for the day. Staff were concerned that the system would enable managers to manipulate their working patterns and shift hours. The clocking-in system was one small part of a broader restructuring program in BA, titled the *Future Size and Shape* recovery program.<sup>90</sup> Over the previous two years, this had led to approximately 13,000, or almost one in four jobs, being cut within the airline. As *The Economist* noted, the side effects of these cuts were emerging, with delayed departures resulting from a shortage of ground staff at Gatwick and "a high rate of sickness causing the airline to hire in aircraft and crew to fill gaps. Rising absenteeism is a sure sign of stress in an organization that is contracting."<sup>91</sup>

For BA management, introduction of the swipe card system was a way of modernizing BA and "improving the efficient use of staff and resources."<sup>92</sup> As one BA official was quoted as saying: "We needed to simplify things and bring in the best system to manage people."<sup>93</sup>

For staff it was seen as a "prelude to a radical shake-up in working hours, which would lead to loss of pay and demands to work split shifts."<sup>94</sup> As one check-in worker was quoted as saying: "This used to be a job which we loved but we are now at the end of our tether. What comes next? They will probably force us to swap shifts without agreement and all this for less money than working at Tesco [a supermarket]."<sup>95</sup>

One writer argued that "the heart of the issue is that the workforce wants respect"; it was not until the wildcat strike that CEO Rod Eddington was even aware that "there was a respect deficit to be plugged." Specifically, staff were concerned that "BA will try to turn them into automata, leaving Heathrow at quiet times of the day only to be brought back at busiest moments, while not paying any extra for the disturbance. Women, in particular, want to preserve their carefully constructed capacity to balance the

demands of work and home."<sup>96</sup> Although BA denied that the system would be used to make staff alter their working hours at little notice, staff did not accept this promise—wondering why it was being introduced in the first place if that was not the intended use. As one union official was quoted: "We know that BA breaks its agreements."<sup>97</sup> Another worker said that the strike was meant to be a "short, sharp, shock" for BA: "They would then be able to bring us in any time they wanted, which is just not on, especially for those of us with families."<sup>98</sup>

### THE CHANGE PROCESS FOR INTRODUCING THE SWIPE CARD

Unions argued that the walkout was triggered by senior management at BA "abandoning talks over the introduction of smart cards and announcing their forced imposition at just five days' notice."<sup>99</sup> It was this unilateral decision by BA to introduce the swipe card, and a lack of adequate consultation with affected staff, that was cited as a key reason for the strike.<sup>100</sup> Even BA's pilots, who did not oppose a check-in system, were said to be sympathetic "with the . . . check-in staff over the way that the airline had mishandled the introduction of the swipe cards."<sup>101</sup> One commentator labeled the change process as a "commercial disaster" serving as "an important warning—about the dangers of management by diktat, certainly, but, more profoundly, about an incipient revolt against the close control and monitoring of our lives and movements that modern information technology enables."<sup>102</sup>

*The Economist* argued that management's "big mistake was to introduce a new working practice at the start of the summer quarter when the airline makes all its money."<sup>103</sup> Similarly, *The Times* wrote that this was a major management blunder: "To pick July, the start of the peak holiday season, to launch an unpopular new clock-in system, is asking for trouble. To push through a scheme without realizing the extent of the resistance by those

involved suggests a management aloof from the mood of its employees. And to allow managers to give contradictory statements on the use of the new cards seems guaranteed to foment mistrust."<sup>104</sup>

As Hutton argued, with 20,000 other BA workers using the swipe card system, "Imposing them after months of inconclusive talks must have seemed—especially given the pressure to contain costs, with the airline set to report its worst ever quarterly loss of £60 million this week—a risk worth taking. It was a massive miscalculation of the workforce's mood."<sup>105</sup> This miscalculation was related to staff cynicism and bitterness about the redundancy program that had been conducted, staff fears of a lack of consultation, poor pay rates, and dissatisfaction with management having enormous knowledge on which to act in the future.

*The Guardian* echoed this viewpoint, noting that the "trigger was undoubtedly the cack-handed way BA management at Heathrow tried to force the introduction of swipe cards at exactly the wrong time, when the peak of the summer boom was approaching. They should have known how important it was to approach any potential changes in the working patterns of women juggling with childcare schedules in a very sensitive way."<sup>106</sup>

Rod Eddington, chief executive of BA, acknowledged that it was wrong of his senior management to introduce the new clock-in system in the way they did; he was quoted as saying on BBC Radio, in response to a statement put to him that BA had been guilty of "bad management" and "crass stupidity" for not predicting the level of anger to the swipe card: "With the gift of hindsight, it's difficult to disagree with you."<sup>107</sup>

### THE RESOLUTION

As a result of the walkout, BA announced on Tuesday, July 22, that it would hold talks with representatives from three unions—Amicus MSF, Transport and General Workers Union, and GMB—and put back introduction of the swipe cards



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until noon on Wednesday, July 23.<sup>108</sup> Following further talks, it was finally announced on July 30 by BA that they had reached agreement with the unions to delay making the swipe card system operational until September 1. They also agreed to a 3 percent pay rise to administrative staff for 2003, not on the basis of introducing the swipe card system but based on being "confident that the remaining Future Size and Shape cost efficiencies will be delivered."<sup>109</sup>

As one person observed: "You have to ask, how important was this scheme to the future operation of BA in the first place? How much money was it going to save and wouldn't it be better to wait a few months for discussion to reassure the staff they are not going to get turned over?"<sup>110</sup>

### Questions

Review the swipe card story, drawing on each of the following change perspectives discussed in Chapters 7 and 8:

- Organization development
- Sense-making

- Change management
- Contingency
- Processual

1. From each change perspective, what are the key issues to understanding the wildcat strike?
2. Assume that you have been retained as a change consultant by BA management to advise them on how to avoid such a situation in the future. What lessons emerge from each perspective and what recommendations would you draw from each in constructing your advice to BA management? If appropriate, role-play the presentation of this advice to senior management of BA.
3. Is there one change perspective, or a combination of change perspectives, that provides the best way of understanding the swipe card issue? Why?
4. What broad conclusions emerge from this analysis?

**TABLE 8.4** Additional Case Studies

#### Canadian Fishing Company (A)

Wood, A. R., & Stuart, I. (1998) *Richard Ivey School of Business*

**PLAY!** Multimedia Case

Harder, J. W. (2001) *Darden Business Publishing*

**State Farm Insurance—Michigan Region** Multimedia Case

Isabella, L. A., & Forbes, T. (2003) *Darden Business Publishing*

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- Anonymous. 2003b. Strike a blow for BA's reputation. *CNN.com*, July 22.
- Anonymous. 2003c. Britain: Terminal; British Airways. *Economist*, no. 8334 (July 26):31.
- Anonymous. 2003d. Air pocket—British Airways has run into rough weather. *Times* (London), July 29:17.
- Anonymous. 2003e. Back from the brink—Both sides can learn from the BA dispute. *Guardian* (Manchester), August 1:25.