

CHAPTER 2

LITERATURE REVIEW

Introduction to Literature Review

The subject of investigation covers three main strands, with three corresponding literatures, as indicated in the section on Research Gap and Contribution above. Firstly there is the core strand of ‘success’ and ‘failure’, set in a broader context of the study of strategy. A review of broad approaches to strategy leads to the conclusion that perceived notions of ‘success’ and ‘failure’ have not been widely researched in spite of the fact that strategy theories are generally phrased in terms of goals. In other words, little research has been conducted on the assumed notions of ‘success’ in particular with which practitioners of strategic decision-making make strategic choices. Since inconsistency between on the one hand perceived notions of ‘success’ and on the other objective measures of performance as indicators of ‘success’ is to be established, it follows that the literature on bounded rationality will be reviewed. Secondly, since perceptions of the cause of ‘success’ are investigated, there is a strand of the literature review on attribution theory. The review covers both the mainstream of attribution theory and the literature more specifically focused on the attribution of ‘success’ and ‘failure’. Finally, there is a practitioner strand, and the previous study of the airline industry is covered in the third part of the literature review.

Strategy - Success and Failure

General Views of Strategy

It may seem naive to begin a literature review in a thesis such as this by looking at the standard textbooks on strategy, but the author will argue that there is a gap in the literature at such a fundamental level that manifests itself in such texts. Even the most cursory of glances through the indexes of such textbooks reveals the paucity of material on ‘success’ or ‘failure’. Intriguingly, Argenti wrote of ‘failure’:

“Collapsed, failed, bankrupt, broke and bust. None of these are pleasant words, and this is not a very pleasant subject, but in real life companies do collapse, they

do fail, do 'go bust'. And yet how often does one see these words in books or articles on management? Hardly ever - it is most extraordinary. It is not only books: one cannot attend a lecture on the causes of failure as one can every other conceivable management topic; one cannot consult an expert on the subject for there are virtually none."

(Argenti, 1976, p.1)

Whetten urged that a new research agenda be adopted on the neglected topic of failure, bemoaning the preoccupation with growth. He argued that emphasis on growth was as a result of actual organisational conditions and the prevailing ideology in society, and that the then-current predictions of retrenchment required a greater emphasis on the study of decline (Whetten, 1980).

The literature on 'failure' has grown since 1976, but even less has been published on 'success' per se. That most ordinary of phenomena, 'survival', which most organisations in highly competitive and volatile sectors such as airlines might be expected to see as an explicit primary strategic objective, is virtually ignored.

Exploring Corporate Strategy (Johnson and Scholes, 1997) provides an interesting example. In the first edition (1989), neither 'success' nor 'failure' were discussed, the first appearance of 'failure' occurring in the second edition (1993). Here, the source is Bowman (Bowman, 1992a; Bowman, 1992b), what Johnson and Scholes term the 'strategy clock'. Three of the possible outcomes are seen as 'failure'; the others are implicitly 'success'.

Explicit notions of 'success' and 'failure' are notably missing from most textbook discussions of 'strategy'. Bowman & Asch and Bowman see strategy as a process which progresses from the setting of targets and objectives through to monitoring that they have been met (Bowman and Asch, 1987; Bowman, 1990). Bailey and Johnson adopt an essentially descriptive approach to strategy, reporting on the emergence of strategies in terms of six perspectives: planning; logical incrementalism; political; cultural; visionary; and natural selection (Bailey and Johnson, 1992).

Implicit in all these approaches are the questions which an organisation needs to consider:

- where are we now?
- where do we want to go?
- how will we get there?

Faulkner and Bowman ask more specifically:

- where should we compete?
- what products should we compete with?
- how will we gain sustainable competitive advantage in these chosen markets?

(Faulkner and Bowman, 1995, p.2)

Later writers - examples include Lynch (1997) and Thompson (1997) - follow broadly the same approach. Bowman and Faulkner emphasise that there is not one right answer and that rational planning does not necessarily lead to successful change. In their view there are three key tasks for the strategist: selecting, resourcing and controlling (Bowman and Faulkner, 1997).

One writer who takes a different view of strategy is Stacey, who concentrates on the dynamic process of strategy. He proposes a paradigm in which success depends on changing the belief systems that govern how organisations operate (Stacey, 1993, p.100). Success flows from innovation rather than from adaptation to the environment. Like other writers, however, he avoids defining 'success'.

In addition to the three implicit questions for strategists to consider, noted above, there seems to be an equally fundamental question:

- what do we presume about whether it is worth getting there?

In other words, we need definitions of 'success' and 'failure'. Without them, we avoid any judgmental attitudes - fine for the social scientist embedded in a positivist viewpoint, but of little use to the practitioner, who must implicitly or explicitly hold value judgements when choosing between strategy options. In the practitioner's world, strategic objectives - whether explicitly stated or retrospectively definable in terms of emergent strategy (with the unlikely exception of a UK or Irish organisation which pursues no explicit or implicit strategic objectives, simply behaving reactively in a way that lacks any implicit rationale) - must be defined on the basis of an underlying rationale. The most basic form of underlying rationale is assumed for the purposes of this thesis to

be the notions of ‘success’, as something to be achieved, and ‘failure’, as something to be avoided. It is thus the presumptions of what constitute ‘success’ and ‘failure’ that need to be investigated.

With respect to one further fundamental question:

- how will we know when we have got there?

we need to note the work of Kay. Kay takes a very particular basis for his views on strategy. He argues that the key measure of corporate success is added value (Kay, 1993, p.19). ‘Added value’ is thus a measure of success, but not in any way a meaningful definition of ‘success’. It is problematic in that added value only actually occurs at the point of sale, and this thesis is set in a service industry where stock (seats on specific flights) is inherently perishable through lack of sale. Its usefulness is in its lack of subjectivity for making comparisons, being calculated from reported financial data; in the case of UK airlines this is especially the case since financial data is reported to the UK CAA in a standard format. It is for this reason that it is used in the later analysis as the major objective measure of success. Other financial definitions are reviewed below, as are a number of objective measures of operational success, again derived from data reported to the CAA.

To help focus on theoretical frameworks which will help in considering ‘success’ and ‘failure’, and which allow some respite from a non-judgmental approach, let us consider the overview of strategy posited by Whittington (1993) - see Figure 2 and Table 3.

Each perspective has its merits and attractions for the proposed research, but in particular the following should be noted:

1. Classical: the rationale of profit maximisation is a precursor of the Kay approach, although conceptually less sophisticated by focusing on profit rather than added value (e.g. Chandler (1962)).
2. Processual: the key influence of psychology manifests itself in the current research as the need to consider causal attribution when investigating executives’ perceptions of ‘success’ and ‘failure’ (e.g. Mintzberg (1978)).
3. Evolutionary: the rationale of ‘survival’ and the focus on markets is appropriate to the industrial context of the research, an industry that is highly competitive

and which has seen players disappear within the period of research (e.g. Hannan and Freeman (1988)).

4. Systemic: the local rationale is appropriate to the route-based nature of airline competition (e.g. Grannovetter (1985)).

Included in Table 3 are Whittington's suggestions for key authors and key periods for each of the four perspectives. These are problematic in that some of the key authors have changed their perspectives over time. One particularly relevant example is Michael Porter (Porter, 1980). This 1980 work is the classic exposition of his generic strategies theory. The emphasis was on industry-level analysis rather than on differentiation and characterisation of competitors. All players are presented with the opportunity to achieve competitive advantage through selecting appropriate strategies. If all players conduct the same analysis and come to the same conclusion about how to achieve competitive advantage, then they will not have differentiated themselves and none will ultimately achieve competitive advantage.

In a later work (Porter, 1996), Porter attempts to answer the question 'what is strategy?'. In proposing his answer to the question, he shifts away from his earlier approach and places much greater emphasis on unique activities - the essence of strategy is choosing to perform activities differently from rivals. Intriguingly one of his examples is an airline - Southwest Airlines from the USA - but he ignores the issue of routes, the most obvious way in which any airline performs differently from its rivals. In comparing Southwest with Continental Lite, he does, however, note that in head-to-head competition on specific routes Continental Lite was unable to sustain its strategic position through its inability to make trade-offs. He notes the importance of 'fit' as a driver of both competitive advantage and sustainability. He also argues that we are perhaps too growth-driven. Porter, in his earlier work (Porter, 1980), is arguably a major reason for this obsession in that growth is the inevitable outcome of sustained competitive advantage!

Another influential writer, Chandler, argued in the Harvard Business Review that '*The Enduring Logic of Industrial Success*' was that to compete globally an organisation has to be very big - growth, he argues, is thus the essential precursor for success (Chandler, 1990).

Pascale holds an implicit view of 'success' in his argument that organisations need to draw from both coherence and conflict, but, like other writers, does not clarify what he considers to be 'success' (Pascale, 1990).

Simon takes the view that comparative advantage is relatively short-lived - a half-life of years rather than decades. Innovation is thus the precursor of success, and strategic thinking must permeate the whole organisation (Simon, 1993).

Of all the approaches taken to strategy, the most attractive for this research must be those which place an emphasis on organisational differentiation. Other approaches lead to propositions about how players in a market may achieve success, whereas an approach which emphasises organisational differentiation leads more naturally to propositions about how a specific player may achieve success.

Such an approach is one that is grounded in organisational culture. However, no literature was found that covered organisational culture within the airline industry or its subsectors. A methodology which embraced an organisational culture approach would therefore require the researcher to establish the basic tenets of the organisational culture of the airlines in which the interviewees and/or questionnaire respondents worked. As discussed elsewhere, the length of the questionnaire proved to be in issue, and it was difficult enough to include all the necessary questions related to notions of 'success' and 'failure' without producing a questionnaire that senior airline executives would find too time-consuming to answer. The two pilot interviews did include questions designed to establish the organisational culture of the interviewee's airline (seventeen in the case of the first interview, a particularly lengthy interview which was allowed to overrun by the interviewer in exceptional circumstances; the number was reduced to a core of five in the second interview to try to establish culture in a period of time more acceptable to interviewees, but, again as a result of a significant over-run, the length of interview needed was considerably longer than could reasonably be expected to be granted by senior executives). The organisational culture approach was thus rejected as unworkable in the context of such senior executives.

Another such approach is the resource-based approach of Grant, who builds a practical framework for resource-based strategy analysis by identifying and classifying the firm's

resources and resource gaps (Grant, 1991). Foss, Knudsen and Montgomery suggested that there was significant common ground between such a resource-based approach and an evolutionary approach to theories of the firm, acknowledging however the distinction between levels of analysis - industry for evolutionary theory and firm for resource-based theory (Foss, Knudsen and Montgomery, 1995). The level at which 'success' and 'failure' are being explored currently is at the level of the individual within the firm rather than at the level of the industry as a whole, and this approach is not therefore appropriate.

The general lack of strategic theory based on the individual as the originator and/or influencer of the strategic decision-making process does however provide a gap in the literature.

Bounded Rationality

Since this research assumes a linkage between an executive's notions of 'success' and 'failure' and the consequent identification and pursuit of strategic objectives, it is necessary to review the literature which has investigated whether an underlying rationale is necessarily pursued in a consistent way, and the literature which has investigated the nature of any underlying rationale.

Earlier writers on organisational theory and the firm, (for example Taylor, 1911; Fayol, 1916; Weber, 1947), approached their work from a variety of perspectives, but they shared one underpinning assumption - that the workers and managers in organisations behaved as 'rational economic men', motivated conventionally and making decisions based on a rationale driven generally (specifically in the case of Taylor) by money. Herbert Simon recognised the oversimplification of this approach, and proposed that decision-making was a process undertaken not by 'economic man' but by 'administrative man' (Simon, 1960b; Simon, 1960a; Simon, 1987). The latter satisfied rather than optimised in the process of reaching decisions. Simon proposed that managers have a 'bounded rationality', caused by imperfect and incomplete information, the complexity of problems, the human information-processing capacity, the shortage of time in which to make decisions, and the potential clash between different organisational goals. Arguably the most significant part of Simon's

contribution was to place decision-making at the centre of the management process. Simon acknowledged Chester Barnard (Barnard, 1938) as a precursor of this approach, although Wren suggests that Follett is a more likely source (Wren, 1994).

Simon's concept of 'bounded rationality' was developed by Cyert and March, who posited four peculiarities to decision-making in organisations: quasi-resolution of conflict, uncertainty avoidance, problemistic search and organisational learning (Cyert and March, 1963). Others have also argued that decision-making is in some way a central process, but developing the contention in a variety of directions (Pugh and Hickson, 1989): the appropriacy of decision-making styles (Vroom and Yetton, 1973); the nature of power and its influence on decision-making (Crozier and Friedberg, 1980); the distribution within the organisation of power with respect to decision-making (Tannenbaum, 1968).

Research into the fundamental processes which take place within an organisation has not become the exclusive field of organisational behaviourists, however. The economist Oliver Williamson, for example, argues that the fundamental *raison d'être* of organisations is to minimise transaction costs (Williamson, 1981; Williamson, 1986). Abrahamsson too is reluctant to leave rationality, and argues that organisations are designed social structures in which there is a role for rationality (Abrahamsson, 1993a; Abrahamsson, 1993b).

Taylor's view of money as the motivator of the individual and profits as the obvious and single goal has been questioned by Marris, who argued that growth maximisation was the predominant process (Marris, 1964; Marris, 1998). The interest that researchers have shown in growth has, however, been criticised, as noted above (Whetten, 1980; Porter, 1996).

Development and Growth

The strongest argument for growth as the inherent driver of organisational development was made by Greiner in 1972. His arguments have been summarised by Stacey (1993) as the following series of five phases of growth punctuated by crises:

- | | | |
|---------------------------------|-------------|---|
| 1. Growth by creativity | followed by | Crisis of leadership |
| 2. Growth through direction | followed by | Crisis of autonomy |
| 3. Growth through delegation | followed by | Crisis of control |
| 4. Growth through co-ordination | followed by | Crisis of red tape |
| 5. Growth through collaboration | followed by | Maybe crisis of psychological saturation (everyone exhausted by teamwork) |

There may be further growth as a dual organisation - a 'habit' structure for routine and a 'reflective' structure for stimulating new perspectives and personal enrichment.

Greiner (1998) sees four basic points of his 1972 argument as still valid:

1. We continue to observe major phases of development.
2. Transitions between developmental phases still do not occur naturally or smoothly, regardless of the strength of top management.
3. The logic of paradox (an organisational solution introduced in one phase eventually sows the seeds of revolution) underlying the model continues to ring true.
4. The greatest resistance to change appears at the top because revolution often means that units under each senior executive will be eliminated or transformed.

(Greiner, 1972; Greiner, 1998)

It is therefore important in analysing the continuing process of development in a particular organisation to identify whether that organisation is currently in the steadier state of a growth phase or the much more turbulent crisis phase.

Greiner (1998) notes that there are fewer examples of organisational 'death' today as organisations tend to fail shortly after start-up or get taken over rather than soldier on to a protracted end.

Hamel and Prahalad (1989) do not simply question the traditional view of strategy - strategic fit; generic strategies; strategy hierarchy - but suggest that the traditional approach to strategy has actually often abetted the process of competitive decline. Organisations should, in their view, lever resources rather than maintain strategic fit. They see this argument as a series of differences in emphasis (see Table 4).

Traditional	New
Trim ambitions to match available resources	Leverage resources to reach seemingly unattainable goals
Search for advantages that are inherently unsustainable	Accelerate organisational learning to outpace competitors in building new advantages
Search for niches	Seek new rules that can devalue the incumbent's advantages
Resources are allocated to product-market units	Investments are made in core competences
Consistency between business and corporate levels is largely a matter of conforming to financial objectives	Business-functional consistency comes from allegiance to a particular strategic intent

(Hamel and Prahalad, 1989)

Table 4 Hamel and Prahalad's 'new' view of strategy

Miller takes a much stronger line, arguing that there is an Icarus paradox - the victories and strengths of today's outstanding companies are often as a result of organisational excess, and that success leads to specialisation and exaggeration, to confidence and complacency, to dogma and ritual (Miller, 1990, p.3).

He develops the argument by identifying four trajectories which convert strong companies into declining ones: the focusing trajectory, in which 'craftsman' becomes 'tinkerer'; the venturing strategy, in which 'builder' becomes 'imperialist'; the inventing trajectory, in which 'pioneer' becomes 'escapist'; and the decoupling trajectory, in which 'salesman' becomes 'drifter'.

Other writers take narrower views of the key to development and growth, or otherwise. Marlow argues, for example, that management development and training are key issues (Marlow, 1984). Like most other writers he offers no definition of 'success' in spite of the fact that he is attempting to provide a normative definition of a successful chief executive. Cox, as another example of the many specialised approaches, argues the case for critical supply-chain management as the key (Cox, 1997).

Miles and Snow are unusual in writers on development and growth in that they see success and failure as explicitly key factors. Success and failure they see as outcomes

of the firm's degree of fit with the market. Success, they point out, is not an organisational goal; it is an outcome, in this case of responding to customer needs.

This not only precludes a prescriptive definition of 'success', it makes any attempt at a descriptive definition fraught with difficulty in the sense that a wide variety of definitions are possible depending on a range of possible parameters related to production, customers and even society. It avoids the issue of how strategic options might be selected by a manager because it recognises the notion of 'success' as an outcome rather than as a goal or strategic driver.

Success and Failure

First the approaches which focus on conceptual issues are considered.

However we define 'success', 'decline' and 'failure', some measure of performance will be necessary for making comparisons between airlines, and for consideration of performance over time. Kaplan and Norton (1992) argue that there are four groups of measures that can be used, and that one critical measure for each perspective should be chosen (see Table 5). In particular, it should be noted that their approach considers the financial perspective, adopted by Kay as the only perspective from which a performance measure is necessary, as one of four perspectives managers should adopt. This thesis contrasts internal business and financial measures with individuals' perceptions.

Grønhaug and Falkenberg have also researched conceptual issues regarding success. In a 1990 paper (Grønhaug and Falkenberg, 1990) they note the variety of criteria that can be used to describe, explain and predict organisational success. Their research into success in medium-sized newspapers distinguished between 'outcome-oriented criteria' (objective measures), 'attributed success factors' and 'expert evaluations' (subjective measures). They argue that more empirical research is needed into the factors which are assumed to influence success (Grønhaug and Falkenberg, 1990), an argument to which this thesis directly responds.

Next the use of comparative studies is considered.

The problems of conducting comparative studies are highlighted by Hannan and Freeman thus:

Perspective	Possible Measures	Underlying Question
Financial	Return on capital employed; cash flow	How do we look to shareholders?
Customer	Perceived value for money; competitive prices	How do customers see us?
Internal Business	Enquiry response time; enquiry to order conversion rate	What must we excel at?
Innovation and Learning	Number of new products / services; extent of employee empowerment	Can we continue to improve and create value?

Table 5 Measures that drive performance (developed from Kaplan and Norton, 1992)

“Most definitions of organizational effectiveness introduce some normative standard against which to evaluate organizational performance. Usually the standard is the set of goals of each organization included in the comparison; sometimes it is the researcher’s view of what behavior is appropriate. These two different sets of standards introduce different conceptual obstacles to the comparative study of effectiveness.”

(Hannan and Freeman, 1977, p.107)

This thesis responds to this challenge by avoiding both organisational goals as a statement of intended strategy, and the use of prescriptive notions on the part of the researcher. Instead it focuses on the observations of emergent strategy of organisations and the achievement or otherwise of organisational goals as perceived by individuals. Other problems with regard to decision-making are raised in a paper by Mintzberg and Waters, Pettigrew and Butler, which they contributed to successively. Mintzberg and Waters argue that ‘decision-making’ gets in the way of understanding behaviour, and that it makes more sense to study ‘streams of actions’ rather than ‘decisions’. Butler

acknowledges that the connection between decision and action is problematic, but argues strongly that both can be accommodated. He also emphasises the importance of context to specific decisions (Mintzberg et al., 1990).

Notwithstanding these difficulties, a number of large-scale comparative studies have been undertaken. Whittington studied the published accounts of all the companies engaged in manufacturing and distribution which were quoted on UK stock exchanges. He concluded that profitability was not a function of opening size and that smaller companies showed greater variability in profit, and that past profitability, unlike past growth, had the greatest influence on future profitability (Whittington, 1971, p.72). This suggests that executives whose perceptions of 'success' are strongly correlated with profit as an indicator of performance have empirical research to justify the linkage.

Based on eighty case studies, Miller and Friesen identified four failure archetypes - the impulsive firm; the stagnant bureaucracy; the headless giant; and the firm swimming upstream - and six success archetypes - the adaptive firm under moderate dynamism; the adaptive firm under extreme dynamism; the giant under fire; the entrepreneurial firm; the dominant firm; and the innovator. The factors that they identified as determinants were intelligence/rationality, temperament, heterogeneity, current dynamism and centralisation of strategy-making power (Miller and Friesen, 1977).

Hall investigated sixty-four US companies in domestic manufacturing industries, and concluded that success came for those that achieved either the lower cost or the most differentiation (Hall, 1980), a conclusion which supports Porter (1980).

More recent examples of large-scale comparative studies (Carroll and Delacroix, 1982; Hambrick and D'Aveni, 1988; D'Aveni, 1989b; Moulton, Thomas and Pruett, 1996) relate to failure in a terminal sense, as reviews of bankruptcies and insolvencies, and are discussed below.

Finally approaches which compare and contrast 'success' and failure' are considered.

The relationship between, and the proximity of, 'success' and 'failure' has been investigated by Miller. who argues of outstanding companies that success can indeed be a cause of failure by leading organisations into excesses which lead to inappropriate

specialisation, exaggeration, confidence, complacency, dogma and ritual (Miller, 1990, p.3). This would suggest that astute observers among the research sample might cite the same airline as a both a success and a potential failure.

This relationship has been looked at as a piece of exploratory research by Mellahi, Jackson and Sparks with respect to an in-depth study of Marks & Spencer (Mellahi, Jackson and Sparks, 2002). Fincham concludes that ‘success’ and ‘failure’ are not in fact discrete conditions, but rather that they are interacting themes used by organisational members in response to circumstances which confront them (Fincham, 2002).

Kimberley has argued that ‘birth’, ‘growth’ and ‘decline’ are in fact parts of the essentially cyclical quality of organisational existence (Kimberley, Miles and Associates, 1980).

Starbuck and Hedberg have investigated how organisations learn from success and failure, and concluded that both behavioural and cognitive approaches are useful because they explain different phenomena and they are not individually complete in their explanation (Starbuck and Hedberg, 2000).

Decline

Golembiewski, in reviewing the literature on ‘decline’, notes the significant growth of interest in decline in organisations in the preceding ten years (Golembiewski, 1990).

Houston argued that spiritless leadership and a lack of awareness of current markets and current cash flow were key signs of organisational debility (Houston, 1972). The key to avoiding this he saw as the need for the CEO to infuse *joie de vivre* into his / her organisation.

Harrigan investigated the problem of declining demand in the context of Product Life Cycle models. From this she developed a conceptual framework (see Table 6) for what she called ‘endgame’ strategy. Harrigan develops this work, following a study of 61 firms managing businesses in environments of declining demand (Harrigan, 1982). This paper identifies strategies for lowering one’s competitors’ exit barriers. The study was

	Possess relative competitive strengths	Have relative competitive weaknesses
Favourable industry traits for endgame	Increase the investment OR Hold investment level	Shrink selectively OR Milk the investment
Unfavourable industry traits for endgame	Shrink selectively OR Milk the investment	Get out now

Table 6 Strategic matrix for endgame strategy (Harrigan, 1980)

extended to 95 firms and the factors for remaining profitable in a declining industry were also explored (Harrigan and Porter, 1983).

Katz and Kahn comment that either extreme, flexibility or rigidity, is related to organisational morbidity; survival apparently calls for some stability of structure but also some flexibility to meet changing environmental conditions (Katz and Kahn, 1978, p.81). They also cite Kaufman as a rare example of a study of survival rate (Kaufman, 1976).

Cameron, Whetten and Kim investigated the organisational dysfunctions of decline and found that the negative attributes generally associated with decline can be found in both stable and declining organisations. In particular they found that only those organisations whose revenue was growing showed a clear avoidance of the negative attributes associated with decline (Cameron, Whetten and Kim, 1987; Whetten, 1988).

Failure

The first major analytical study of failure was made by Argenti (1976). Inter alia he noted that:

“For decades now, the accepted criterion by which a company has been judged was how fast it has grown or how rapidly it has increased its share of the market or how many more employees it has now than it had before...The

avoidance of failure has always been as much a part of a manager's task as the achievement of success.” (p.2)

“The most definitive words [with respect to 'failure'] are insolvent, liquidation, receivership and bankrupt.... But collapse does not have to be sudden and dramatic, it can take years or decades.” (p.5)

“I shall use the word failure (or fail, failing, etc) to refer to a company whose performance is so poor that sooner or later it is bound to call in the receiver or cease to trade or go into voluntary liquidation, or which is about to do any of these, or has already done so. Note that a company can be a failure without ever having been a success but it can only collapse if it was once successful but now is not.” (p.6)

He stresses (p.9) the importance of distinguishing between the causes of failure and the symptoms of failure, a failing of previous authors (Smith, 1963; Barmash, 1973; Ross and Kami, 1973; Robertson, 1974). Surprisingly, perhaps, it can be argued that Argenti's work does not appear to have stimulated a great deal of research.

The next systematic and wide-ranging survey, of 300 venture capitalists and receivers, concluded that there were three categories of causes of failure - most frequent, middling, and low level - with the most frequent being poor financial information, lack of control in general, insufficient working capital, management inexperience, poor understanding of the market, insufficient margins, reliance on one product/customer and obsolete or easily overtaken technology (Clutterbuck and Kernaghan, 1990). However, at least some of these are arguably symptoms as well as (or even rather than) causes. In the 1990s practitioners have continued to offer simplistic, single-cause explanations of failure (McKenna, 1991; Pullinger, 1992; Heller, 1995; Markowich, 1995).

The then current perspectives on organisational decline were integrated by Weitzel and Jonsson into a conceptual framework that refined the definition of decline in organisations. They concluded (Weitzel and Jonsson, 1989) that decline followed a five phase path:

1. the organisation is blind to the early stages of decline;
2. it recognises the need for change but takes no action;
3. it takes action, but the action is inappropriate;

4. it reaches a point of crisis;
5. it is forced to dissolve.

As noted above, a number of studies using matched pairs have been undertaken (Carroll and Delacroix, 1982; Hambrick and D'Aveni, 1988; D'Aveni, 1989b; Moulton, Thomas and Pruett, 1996). The last two include the US airline Braniff; the last one also includes Continental, another US airline. Hambrick and D'Aveni argue that weaknesses show up relatively early; in some cases failure followed a ten-year decline. Moulton, Thomas and Pruett also argue that failures follow particular patterns, offering four alternative pathways:

- a market-deterioration pathway;
- a market-maladaption pathway;
- a fight-for-market-share pathway;
- and a loss-of-control pathway.

The failure of products rather than organisations was investigated by Belbin, who saw the underlying issue as a quality control one (Belbin, 1970). Also in a focused vein is the work of Reichheld, who considered what could be learnt from the analysis of customer defections (Reichheld, 1996). In his analysis of root cause of this focused form of failure, he suggested a five-fold hierarchy of causation (the 'five whys', as he termed it). His example of how to use root-cause failure analysis is given in Table 7.

He argues that it is only at the fifth level of response that executives begin to see what needs to be fixed, although it may take a few further questions to determine the best solution. A similar hierarchy of causation, based on Reichheld's model but developed with respect to success and failure, is given in Table 8.

Anheier and Moulton argue that there are distinct approaches to the study of failure: organisational, political, cognitive, and structural (Anheier and Moulton, 1999). They further suggest that there four aspects of failure to be explored: concept, cause, process, and implications.

Level	Question	Response
1	Why did the product get returned as defective?	The connector came loose
2	Why did the connector come loose?	The plug was out of tolerance
3	Why was the plug manufactured out of tolerance?	The intermediate stamping machine failed
4	Why did the intermediate stamping machine fail?	Routine maintenance wasn't done on schedule
5	Why?	There is an attendance problem in the maintenance department

Table 7 Root-cause failure analysis (Reichheld, 1996)

Level	Question	Response
1	Why did Flight XYZ1234 depart ten minutes late from the gate?	Routine maintenance took longer than planned
2	Why did routine maintenance take longer than planned?	There were difficulties as the right tools were not immediately available
3	Why were the right tools not available?	They had not been ordered although requested three weeks ago
4	Why hadn't they been ordered?	Stores have been over-stretched lately
5	Why have stores been over-stretched lately?	Manning levels have not been increased to match the expansion of the aircraft fleet

Table 8 Application of Reichheld root-cause analysis in an airline context

Bankruptcy

Bankruptcy is the most explicit form of failure and many studies have explored organisations in this category.

Authors have tended to try and associate the bankruptcy with the study of a particular business facet, such as cash-based fund flows (Aziz, Emanuel and Lawson, 1988), agency and prospect theory (D'Aveni, 1989a), governance structures (Daily and Dalton, 1994), inter-organisational linkages and financial leverage (Sheppard, 1994) and a variety of factors (Daily, 1994).

The prediction of bankruptcy through the use of financial data has prompted considerable research. Altman developed a model which offered a reasonable degree of success in predicting bankruptcy two to three years ahead of the event (Altman, 1968). This model was refined and adapted for use in the United Kingdom by Taffler and Tisshaw. Among the examples which they said would have been predictable with their model was the 1973 collapse of Court Line (Taffler and Tisshaw, 1977). Altman further developed his predictive model (Altman, Haldeman and Narayan, 1977), and it has been further developed more recently by Zopounidis and Dimitras (1998).

Morris casts doubts, however, on the accuracy of such models, because of the high rate of misclassification error, to their self-fulfilling nature, and to the fact that many bankruptcies are due to unforeseeable circumstances (Morris, 1998).

Kay adopts a rather different approach with his mathematical model. He argues that

“... the key measure of corporate success is added value. Added value is the difference between the (comprehensively accounted) value of a firm's output and the (comprehensively accounted) value of a firm's inputs. In this specific sense, adding value is both the proper motivation of corporate activity and the measure of its achievement.”

(Kay, 1993, p.19)

There are several attractions in using this framework to benchmark the airlines being researched:

- the framework was developed in response to the specific research question “What are the origins of industrial success?”;
- Kay has used the framework on European flag carriers in a comparative study of industries;
- the framework is related to other frameworks, notably those concerning the sources of distinctive capability - architecture, reputation and innovation;
- the framework is increasingly widely used;
- unlike other financial frameworks, it does not aim to predict the imminence of bankruptcy.

In particular, the second point makes it very interesting to see how the framework stands up to application to the much smaller non-flag carriers. The details of the model are given in an earlier paper (Davis and Kay, 1990).

Finally in this section, turnaround strategies and failure aversion need to be considered. Slatter identifies eleven causes of decline which he distinguishes clearly from ten symptoms of decline. He also addresses the important issues of implementing turnaround strategies (Slatter, 1984). Turnaround strategies are also discussed by Boyle and Desai but from the limited perspective of financial control (Boyle and Desai, 1990).

A particularly thoroughly studied organisation with respect to turnaround strategies is the Scandinavian airline SAS. The turnaround by the CEO Jan Carlzon is covered at length in autobiographical account (Carlzon, 1987) and repeated to a wider audience as a mini-case study in a marketing textbook (Kotler, 1988). The turnaround was not as permanent as either author would have hoped and within five years was looking seriously flawed (Darmer, 1994; Stenberg, 1995; Jones, 1997). The inconsistency of SAS’s performance is a good exemplar of the problem of snap-shot views of an airline’s performance and the need for at least some longitudinal dimension.

Particularly noticeable in this review of research into success and failure is the lack of research on the perceptions of success and failure held by those in a position of strategic influence. This provides a significant gap in the literature and an opportunity to provide a contribution.

The Issue of Level (industry v. organisation) and Differentiation of Organisations

The results of research in this area are not consistent and tend to make no inter-industry distinction, with the exception of McGahan and Porter (1997). As noted in the introduction, the airline industry can make a claim to distinctiveness, and therefore the application of generalised research findings may be problematic.

Schmalensee identified three traditions on the sources of profitability: classical - the industry or market is the unit of study; anticlassical, revisionist - all markets are competitive, scale economies are absent and there is positive correlation between concentration and profitability; managerial - some firms are better managed than others (Schmalensee, 1985). He reported that there was strong evidence to support four empirical propositions:

1. Firm effects do not exist.
2. Industry effects exist and are important, accounting for at least 75 per cent of the variance of industry rate of return on assets.
3. Market share effects exist but account for a negligible fraction of the variance of business unit rates of return.
4. Industry and market share effects are negatively correlated.

Hansen and Wernerfelt researched sixty *Fortune* 1000 firms comprising over 300 lines of business. They decomposed the inter-firm variance in profit rates into economic and organisational components, and found that both sets of factors were significant determinants of firm performance. Further findings were that the two effects were roughly independent and that organisational factors explained about twice as much variance in profit rates as economic factors (Hansen and Wernerfelt, 1989).

Using the same database as Schmalensee, Rumelt came to different conclusions. He identified small stable industry effects and very large stable business-unit effects (Rumelt, 1991). Roquebert, Philips and Westfall produced evidence which confirmed most of Rumelt's findings, particularly that the variance within industries is greater than across industries. They also found evidence of a corporate effect, and pointed out that the combined corporate effect and strategic business-unit effect accounted for more of the variance than any other cause (Roquebert, Phillips and Westfall, 1996). Powell

manages to find support for both Schmalansee [sic] (1985), Hansen and Wernerfelt (1989) *and* Rumelt (1991) (Powell, 1996).

In a wide-reaching analysis of empirical data on the profitability of US organisations, McGahan and Porter revisited much of the work of previous authors (McGahan and Porter, 1997). Their results indicated that year, industry, corporate-parent, and business-specific effects account for 2 per cent, 19 per cent, 4 per cent, and 32 per cent, respectively, of the aggregate variance in profitability. They also found that the importance of the effects differed substantially across broad economic sectors. Industry effects accounted for a smaller portion of profit variance in manufacturing but a larger portion in lodging/entertainment, services, wholesale/retail trade, and transportation.

Mauri and Michaels sought to bring out the complementarities between resource-based and industrial-organisation schools within strategic management through an empirical examination of firm and industry effects. They analysed the variance component of 264 single-business companies from 69 industries using five- and fifteen-year periods, and their findings suggested that firm effects were more important than industry effects on firm performance, but not on core strategies such as technology and marketing (Mauri and Michaels, 1998).

Why firms operating in the same industries and markets should produce such different performances was investigated by Pettigrew and Whipp. Their perspective was the management of change, and they concluded that five inter-related factors distinguished the high performers from the others: environmental assessment; leading change; linking strategic and operational change; human resources as assets and liabilities; and coherence (Pettigrew and Whipp, 1991).

The distinction between the generally posed question ‘why do firms differ?’ and the question more typically *answered*, ‘why do successful firms differ?’ was explored by Carroll. In particular he investigated why firms do not switch to more successful strategies. He concluded that there were five relevant factors:

1. environmental expectations;
2. ambiguity excellence (i.e. ambiguity of the causes of excellence);
3. imitation inability;

4. structural constraints;
5. precariousness of change.

(Carroll, 1993)

Barnett, Greve and Park also looked at why organisations vary in how well they perform, by conducting a dynamic analysis of take-overs and performance in Illinois retail banks. They proposed an evolutionary model in which there is a trade-off between differences in strategic positions and differences in competitive abilities (Barnett, Greve and Park, 1994).

The HRM Perspective and Top Teams

The broad aspect of human resources management in the context of strategy is covered widely in the literature, Tyson (1995) providing a good example. Boxall and Steeneveld argue that particular HRM strategies themselves in a particular context produce outcomes of consistent success/failure, and that the selection of appropriate policies can result in the achievement of industry leadership (Boxall and Steeneveld, 1999). The role of top management, either as individuals or as teams, is thus critical.

Leadership is itself a vast subject area and the review concentrates on the relationship between leadership, in the sense of governance, and performance. Styles of leadership and related areas are not covered, although it is recognised that future fieldwork may suggest a further review in this area.

Daily and Dalton investigated the relationship between firm performance and corporate governance structures in small firms (Daily and Dalton, 1993). Daily developed this work with a further study of a large number of organisations filing for bankruptcy (Daily, 1995). Her findings suggest that knowledge of the composition of the board of a company offers better predictive ability than knowledge of the leadership structure of the board. Daily and Johnson researched the relationship between the power of a CEO and the performance of the firm. They found that performance was both an antecedent condition and an outcome of power (Daily and Johnson, 1997).

Early work on top management focused on the role of the most senior executive (Burns and Stalker, 1961, pp.209-231 for example). The significance of the team had,

however, long been recognised (Belbin, 1981), and more recent research has concentrated on the role of the 'Top Team' (Kakabadse, 1991; Alderson and Kakabadse, 1992; Kakabadse, Okazaki-Ward and Myers, 1995; Kakabadse, Kakabadse and Myers, 1996). Bowman and Kakabadse drew the issue back to an individual level, but within the context of team membership. They identified four styles of involvement with strategy, determined by the dimensions of membership and ownership, and they report on the usefulness of feeding back research findings to members of the Top Team (Bowman and Kakabadse, 1997).

Hambrick, Nadler and Tushman explored the inter-related issues of the Top Team, leadership and the change process (Hambrick, Nadler and Tushman, 1998).

Grønhaug and Falkenberg, investigating the unanimity or otherwise of views held by senior managers, concluded that there was a large degree of error if individual views were taken to be organisational views. In particular they report:

“An important point is that managers’ observations and interpretations are connected to their perceived reality⁴, guiding and directing their behaviours and decisions. Present insight into what influences managers’ understanding of internal and external relationships, how they define their competitors, and how they experience strategic opportunities and threats is limited. Better understanding of such relationships is important both for our basic understanding of how organisations operate and as a basis for better decision-making in practice.”

(Grønhaug and Falkenberg, 1991, p.21)

In a more recent work (Grønhaug and Falkenberg, 1990) they cite Schein’s argument of a link between organisational culture and performance (Schein, 2004).

Recently, Papadakis and Barwise have cautioned against failing to see the strategic process in a broader context than that of the CEO and the Top-Management Team (Papadakis and Barwise, 2002). Nonetheless they found that both played major roles.

⁴ Non-italicised words are italicised in the original.

Their research was conducted in Greece, and there may be cultural factors which need to be considered if attempting to relate their research to a UK or Irish context.

This section of the literature thus focuses on the individual, but the individual as a team player. The focus of this thesis is on the individual *per se* as who influences strategy.

The Marketing Perspective

Early success or failure in a new market has been studied by Golder and Tellis. Their research (Golder and Tellis, 1993; Tellis and Golder, 1996) suggests that, contrary to earlier presumption, pioneers in a market are not generally successful. Success is more likely to come to the early leader, who enters after the pioneer. The successful early leaders embody five critical success factors: vision; persistence; commitment; innovation; and asset leverage.

Conclusions of Strategy Literature Review

A number of observations of how strategy has been researched are pertinent:

1. In writing on strategy, textbook authors have generally avoided stating explicit notions of 'success' and 'failure'.
2. By avoiding these notions, the investigation into individual strategic decision-makers' implicit definitions of 'success' and 'failure' has been notable by its absence.
3. Writers such as Whittington (1993) offer useful schema for the analysis of strategy. Their perspective is, however, that of the observer of strategy and they do not reflect the rather narrow perspective often taken by practitioners.
4. The question of rationality in strategic decision-making has been explored over a long period, with a variety of developments on Simon's original concept of 'bounded rationality'. These developments have not included an investigation of 'success' and 'failure' as central factors in decision-makers' rationales.

5. Growth has been investigated widely as a driver of organisational development. Hamal and Prahad (1989) offer a model which relates individual organisations to successful strategies, while Miles and Snow (1994) argue that success and failure are outcomes rather than drivers of success.
6. There is a range of paradigms for discussing the causes of success and failure, often offered while begging the question of what actually constitutes success or failure. Little emphasis is given to the individual strategic decision-makers and their personal paradigms of the causes of, or personal definitions of, success and failure.
7. Similarly, the research findings on 'success' and 'failure' *per se*, while sometimes emphasising, for example, the importance of a CEO's vision, generally lack any insight into the contribution of the individuals who constitute an organisation's strategic decision-making team and their personal perspectives of the market in which they compete. Where there is insight, it is generally dismissive of practitioners who offer simplistic, single-cause explanations of failure.
8. Few writers, with the distinct exception of Reichheld (1996), have looked at a deeper issue of the causes of 'success' and 'failure' - the question of hierarchies of causation.
9. Identification of 'firm effects' as opposed to 'industry effects' has been achieved in a number of studies. Carroll (1993) specifically noted the importance of what he termed 'ambiguity excellence' - the ambiguity of the causes of excellence - but did not investigate the phenomenon deeply.
10. A clear body of research into Top Teams has emerged, especially in the last ten years. Emphasis has been on the teams *per se*, rather than on the individual members of the team.

The general picture is of a body of research which has focused on strategic outcomes and processes, but with no great emphasis on underlying assumptions about the nature of 'success' and 'failure', or on individuals who are in a position within an organisation

to influence strategy either as members of a Top Team or more explicitly as a member of the company's Board of Directors. These omissions, which provide the opportunity for contribution, are returned to as an appropriate methodology for their exploration is developed in Chapter 3.

Attribution

Introduction to Attribution Literature Review

As seen in the previous section, the strategy literature is not highly developed with regard to the underlying rationales and assumptions of those individuals who play a role in shaping an organisation's strategy. An alternative literature, that with regard to attribution, does offer relevant research on individuals, at least with respect to their views on causation. In the following sections the literature of attribution theory, attributional error and the perceptions and attribution of 'success' and 'failure' are reviewed.

Attribution is the process by which people seek to determine the causes of behaviour, either their own behaviour or the behaviour of others. It is this concern with causality that draws consideration of attribution into this research project. An understanding of the concepts of 'success' and 'failure' is helped by the study of the perceptions of them held by members of the industry. Since it is not reasonable to assume that all players within the industry see all the outcomes of strategy as determined by luck, it must be assumed that the causes of success and failure are generally attributed to factors other than chance.

The study of attribution has focused on research into attribution where posited causes hold a relatively close link to their outcomes. It is for this reason that it makes sense to consider attribution theory only with respect to those managers who are in a position where they could conceive of their own, and others', strategic actions having a direct influence on outcomes. In other words, to make the application of attribution theory relevant and valid, we must restrict the range of people considered to those who have a sense of ownership of their airline's strategy, or at the very least feel that they have contributed to its formulation. Most importantly, selecting such people as subjects

ensures that they have high levels of knowledge and experience and hence there is a high degree of validity in their attribution.

The defining parameters for the sample of interviewees is considered again below in Chapter 3 Methodology.

Attribution theory is a relatively new area, being essentially a product of the last four decades. The literature is somewhat limited, certainly being much smaller than that associated with strategy, and is still to some extent in an early investigative phase, establishing and confirming basic concepts and principles.

The Mainstream

Although there are earlier papers, Heider is usually credited as the starting point of attribution theory, although Heider does not constrain himself to attribution (Heider, 1958). Rather, he reported on the wider field of interpersonal relations. The significance of Heider lies in the fact that he was the first to point out the importance of phenomenal social causality (Reeder and Brewer, 1979). His work is seen as provoking research into attribution in two related directions: causal judgements and social inference.

The basic attribution process of an observer making causal judgements in order to explain the occurrence of social events was investigated over a number of years by Kelley, culminating in two major papers (Kelley, 1972; Kelley and Michela, 1980). The essential distinction developed here is that between attribution to internal or external causes. Kelley (1972) argued that in our attempts to attribute causes we focus on three dimensions:

- consensus - the extent to which others react to the same stimulus in the same way;
- consistency - the extent to which the person reacts to the same stimulus in the same way over time;
- distinctiveness - the extent to which the person reacts in the same manner to other different stimuli or events.

He concluded that behaviour is attributed to internal causes if there is low consensus, high consistency and low distinctiveness. Conversely, behaviour is attributed to external causes if there is high consensus, high consistency and high distinctiveness. He also identified two important principles:

- The Discounting Principle: the tendency to attach less importance to one potential cause of some behaviour when other possible causes are also present.
- The Augmenting Principle: the tendency to attach greater importance to a potential cause if the behaviour occurs despite the presence of other, inhibitory factors.

The origin of the social inference strand, where the focus is on drawing an inference from observed behaviour to specific characteristics of the actor, is arguably Jones and Davis' 1965 paper '*From Acts to Disposition: The attribution process in person perception*'. This work marks the beginning of establishing some of the major elements of attribution such as the importance of traits. They investigated how we discriminate between exceptional behaviour and typical behaviour. They concluded that we focus our attention on certain types of action - those that are most likely to prove informative:

- We consider only behaviours that have been freely chosen rather than forced on the person in question.
- We pay careful attention to actions that show 'noncommon' effects - effects that can be caused by one specific factor but not by others - tending to ignore effects that can be caused by a range of different factors.
- We pay greater attention to actions by others that are low in social desirability than to actions that are high in this dimension.

(Jones and Davis, 1965); subsequently developed by (Jones and McGillis, 1976)

Reeder and Brewer (1979) developed a model of dispositional attribution in interpersonal perception, which was intended to introduce precision into the social inference approach to attribution.

Gilbert, Pelham and Krull investigated the process of inferring others' traits from their behaviour and concluded that we actually accomplish three distinct tasks during the process:

- We categorise an individual's behaviour - we decide what it is all about.
- We characterise the behaviour - we use it to infer specific traits.
- Crucially, we correct our inferences about this person's traits in the light of information about the situation in which it has occurred.

(Gilbert, Pelham and Krull, 1988)

This work was extended by Gilbert and other researchers (Gilbert and Osborne, 1989; Gilbert et al., 1992), work which investigated attribution in situations where behaviour is unclear. Correction only takes place if others' behaviour is clear. If it is obscure, correction does not occur and the effort we devote to answering the question 'What?' (what are they doing/saying?) may make it more difficult for us to answer the question 'Why?' (what does their behaviour tell us about their traits?). This relates to the transactional analysis theory of Berne (1961), later developed by James and Jongeward (1971) and Steiner (1990). Of particular relevance is the idea that people understand the behaviour of others through their interpretation. It must however be noted that one of the few references by transactional analysis theorists to the application of the theory to situations outside psychotherapy is by Steiner, who comments on the use of Transactional Analysis in a business context by American Airlines and subsequently by Off-Track Betting that it is a misuse of the theory. He argues that its use should be confined to its original context, i.e. as a contractual therapeutic technique (Steiner, 1990).

Lupfer, Clark and Hutcherson studied the role of context on attribution from a trait and situational perspective (Lupfer, Clark and Hutcherson, 1990). Building on the theory of Gilbert, Pelham and Krull (1988), their research indicated that we tend towards quick and easy conclusions about the causes behind others' actions.

The language of attribution theory is significant. It relates to 'actors', that is individuals rather than organisations, and 'actions'. The 'actions' are both those of other individuals and more general actions which the 'actor' 'observes'.

Sources of Attributional Error

Research has established three major sources of attributional error:

1. The Fundamental Attribution Error

It has long been clear that in attributing cause we tend to over-utilise personal information. The consistency of that effect over time has been researched by a number of workers.

Gilbert, Pelham and Krull (1988) had observed a difference between the relative importance of personal and situational information over time. This would suggest that the over-utilisation of personal information was likely to diminish significantly over time, an effect confirmed by other researchers (Frank and Gilovich, 1989; Burger, 1991). Burger and Pavelich observed a reversal of attribution from personal factors (at a distance of five days from an event) to situational factors (considered two to three years later) (Burger and Pavelich, 1993) [cited by (Baron and Byrme, 1997)]. This suggests that a greater consistency of attribution is likely when more immediate events are removed from consideration.

2. The Actor/Observer Effect

The classic description of this effect is in Jones and Nisbett (1971), with further work in Jones and McGillis (1976):

“There is a pervasive tendency for actors to attribute their actions to situational requirements, whereas observers tend to attribute the same actions to stable personal dispositions.”

(Jones and Nisbett, 1971, p.2)

This is because the actor knows himself better whereas for the observer behaviour is “*figural against the ground of the situation*”. The actor’s perceptions, they argue, are his ‘accurate’ judgements of the situation to which he has responded, whereas, for the observer, behaviour is a manifestation of the actor. The observer over-attributes personality traits. The actor, they suggest, may view his own personality as being more unique than it is and his own behaviour as being more appropriate to given situations than is the behaviour of others.

The problems this error might cause can be minimised by analysing interview responses as two separate data sets: actor data sets and observer data sets.

3. The Self-Serving Bias

This again is a long-established effect: we attribute our own positive outcomes to internal causes but negative ones to external factors. Two lines of research have been pursued to explain why we behave in this way: the first offering a cognitive explanation (Ross, 1977), and the second offering a motivational explanation (Greenberg, Pyszczynski and Solomon, 1982). Brown and Rogers's research tends to support the motivational explanation. This results in an over-emphasis on our own contribution (Brown and Rogers, 1991). The self-serving bias also results in a tendency to perceive negative actions on our own part as reasonable and excusable, but identical actions on the part of others as irrational and inexcusable (Baumeister, Stillwell and Wotmann, 1990). An interesting example from the airline industry is the quite different explanations for Randolph Fields and Richard Branson parting company offered by the two protagonists (Brown, 1988).

A final example of work on the self-serving bias is a paper by Charness and Haruvy in which they investigated through a simulation perceptions of what constitutes 'a fair day's work for a fair day's wage' (Charness and Haruvy, 1999). In the paper they argue that the employment relationship is effectively one of social exchange, an area of study with a broader relevance.

Social Exchange Theory

Social exchange theory developed largely from the work of Homans and Blau in the early nineteen-sixties. Homans argued that social exchanges involved rewards and costs and that the net outcome determined the propensity for the relationship to continue (Homans, 1961). Blau developed a broader theory of social exchange, and argued that social attractions develop into personal exchanges and power, and finally into macroexchanges which involve group authority and opposition (Blau, 1964). It is at the group level that social exchange theory is relevant to the operation of businesses, and hence to the current research. However, it should be noted that Blau emphasised

the concepts of voluntary actions and choice, and the relevance of his approach to the work situation is higher when considering interaction between Top Team members than when looking at power relationships with subordinates. It is not without relevance even in the latter case as Heath has pointed out, arguing that even coercive choice is typically rational choice (Heath, 1976). Blau, a sociologist rather than a management researcher, has returned to social exchange theory more recently (Blau, 1994). Among the arguments he develops in this even wider theoretical contribution are definitions of two types of power: influence in direct interpersonal exchange and large-scale domination of groups without personal contact.

While this early work of Homans and Blau was not based on work relationships, researchers have applied the theory to areas within management. Nord has used social exchange theory to identify a Resource-Exchange paradigm through which organisations can be studied (Nord, 1980). In particular he pointed out the significance of potential individual gain in the allocation of resources. Hollander applied social exchange theory to the analysis of leadership (Hollander, 1980), focusing on the transactional aspect of the relationship between a leader and his/her followers.

The work of Hollander in particular begins to extend the scope of the literature review towards the vast area of organisational culture (see for example Cameron and Quinn, 1999; Deal and Kennedy, 2000; Schein, 2004)). The range of this literature poses a problem with respect to this thesis. Although the scale of the literature might be thought to offer considerable choice of theoretical frameworks which may be of relevance, what is missing from the literature is any work on airline organisational culture, and most significantly there is none on UK and Irish airlines' organisational culture. To include organisational culture as a dimension of analysis would therefore require an analysis of the dimensions of UK and Irish airlines' organisational culture, a task beyond the scope of a PhD thesis. An attempt to establish some limited dimensions was made in the pilot interviews, but, as explained on p.102, such a task proved unrealistic if the main focus of the research was to be maintained. For a further examination of the reasons for not developing an approach embedded in organisational culture, see also p. 20 for discussion from a theoretical perspective and p.92 for discussion of potential problems of operationalisation.

The Perception and Attribution of Success and Failure

The work of Weiner et al. supported an attributional model of achievement motivation, guided by a general cognitive approach. The model is based upon the assumption that beliefs about the causes of success and failure mediate between antecedent stimulus-organism transactions and ensuing achievement behaviour (Weiner et al., 1972).

Milech and Nesdale examined the function relating performance outcomes and causal attributions, with the degree of success and failure varied over five levels rather than the two levels used by previous researchers. Their experimental work showed that

“the relationship between performance and attribution is complex, at least non-linear, and that for the variables taken as a whole, there is a finer discrimination between levels of success than between levels of failure in the attributions subjects make.”

(Milech and Nesdale, 1984, p.199)

The relationship between performance and ability and the relationship between performance and luck were consistently different. Attribution is directly related to effect for positive outcomes yet it is not related to effect for negative outcomes - this, they argue, weakens but does not disprove motivational accounts of attribution.

Cognitive theories also have problems explaining the results, except for that of Reeder and Brewer (1979) - causal attributions are guided or determined by subjective schemata, that is, by subjective models of the way causes (dispositions) and observed behaviour are related, e.g. ‘the skilful may fail but the unskilful will never succeed’.

This suggests that attributional schemata for success/failure may already exist in subjects and offers a fruitful line for research.

Whitley introduced the concept of ‘informational attribution’ which he distinguishes from ‘causal attributions’. Unlike causal attributions, which refer to the perceived causes of outcomes, informational attributions refer to perceived characteristics of the actor and the task situation. A causal attribution to ability, for example, reflects the degree to which ability is perceived to have affected the outcome, whereas an informational attribution to ability reflects the degree of ability actors perceive

themselves as having. Whitley concluded that informational attributions accounted for a significant proportion of the effect variance in the results of his experiment, beyond that attributable to the other factors (Whitley, 1986).

Research on attribution in teams for group task performance in a business context has been carried out by Zimmerman and Riggio, as an extension of Weiner's work, with some unexpected outcomes. The classic self-serving bias already noted was not fully evidenced. When others do not significantly help in the attainment of a goal, persons high in achievement motivation may blame them for the failure. When a group task is undertaken, a manager may expect a certain amount of input from subordinates in performing the task, and when this does not occur, co-workers are blamed for the failure. In light of the tendency of persons high in achievement to favour internal attributions, this is indeed surprising (Zimmerman and Riggio, 1986).

In another piece of work rooted in the workplace Silvester and Chapman (1997) proposed a four-level framework for causal attribution in the workplace (see Table 9).

Level of Attributional Activity	Typical Attribution
1 intra-personal attributions	"I didn't get the promotion because I didn't know very much about that area."
2 interpersonal attributions	"His failure to meet targets is down to a lack of motivation and insufficient effort."
3 intergroup attributions	"Manufacturing are obsessed with detail. They don't realise that in sales we need a constant stream of new products in order to maintain our market share."
4 organisational attributions	"This company is committed to an open policy on information, so in general it is fairly easy to see how our work fits in with organisational strategy."

Table 9 Attributional activity in the workplace (Silvester and Chapman, 1997)

This work is significant in that it extends the notion of attribution from a personal perspective to both group and organisational perspectives.

Grønhaug and Falkenberg, researching the Norwegian newspaper industry, have concluded that attribution theory is valid both for individuals in organisations and organisations as such (Grønhaug and Falkenberg, 1990). This is significant to the current research, in which it is generally the attribution of individuals with regard to the behaviour of organisations which is being investigated.

In an investigation of the discounting principle in attribution theory, McClure found evidence that the attribution of success and of failure exhibited different patterns (McClure, 1987).

Finally, in the context of causal attribution for success and failure, the conclusions of Whitley and Frieze need to be noted. Following a meta-analysis of 64 studies they concluded that, in this area of research, question wording should be a major consideration when research is planned. They found general support for the phenomenon of attributional egotism. The support was stronger when informational wording (e.g. "How hard did you try?") was used rather than when the more traditional forms of causal wording were used (e.g. "How much was effort a cause of your success?") (Whitley and Frieze, 1986).

Conclusions of Attribution Literature Review

The early development of attribution theory focused on the attribution by individuals of other individuals' behaviour. As the body of research has grown, more interest has been shown in the attribution by individuals of organisational behaviour and more general externalities. Grønhaug and Falkenberg (1990) came to the important conclusion regarding the validity of attribution theory - that it is valid for individuals in organisations *and* for organisations, and Silvester and Chapman (1997) have identified four levels of attributional activity, two of which are at a purely individual level (intra-personal and interpersonal) but the other levels are beyond the individual level (intergroup and organisational levels).

Organisational investigations have included a range of different industries, but these do not to date include the aviation industry.

The three major sources of attributional error that have been identified (see p.45) raise issues for the development of a research methodology:

1. The Fundamental Attribution Error

This can be reduced significantly in two ways:

- a) an avoidance of short-term scales such as those which would require consideration of events which have taken place within the previous days rather than months or years;
- b) the use of scenarios which do not involve the respondent as a direct actor, i.e. by considering attribution with respect to the behaviour of other organisations within the immediate industry sector rather than the organisation for which the respondent currently works.

2. The Actor/Observer Effect

As noted above (p.46), the effects of this error can be minimised by establishing distinct actor and observer data sets. This can be achieved in interviews with senior airline executives by asking them about their own organisations (as actor) and about other airlines (observer).

3. The Self-Serving Bias

This can again be identified by analysis of both actor data sets (where the bias might be expected) and observer data sets (where the bias will not exist except in the cases where the observer has at some time been an actor in the observed organisation, i.e. he/she is 'observing' an organisation where he/she has been employed).

Reeder and Brewer (1979) identified the area of attributional schemata for success / failure as fruitful for research, but there has not been a response from investigators.

The Airline Industry

Introduction to Airline Industry Literature Review

There is a considerable body of literature devoted to the airline industry - academic, practitioner, investigative journalist and enthusiast. This review will concentrate on the academic and the practitioner sectors. The significance of the latter is that the review

needs to identify the contemporary issues of the industry so that many of the factors which will emerge following the in-depth interviews will not come as a surprise. Indeed, they will be used in the construction of the first hypothesis, enabling the analytic induction process to be completed rather more expeditiously than if only a minimal initial hypothesis had been selected.

General

Of the academic texts available, the most comprehensive overview of the industry is to be found in that of Hanlon, where he covers strategic issues, operational issues and competition issues thoroughly (Hanlon, 1999).

For an overview of the issues from the politico-legal perspective the Organisation for Economic Co-operation and Development has identified the following issues which airlines need to address:

- liberalisation;
- changes in the operating environment and the industry structure;
- prospects for growth;
- bilateral agreements.

(Organisation for Economic Co-operation and Development, 1993)

The journalistic approach needs to be considered with caution because of the lack of academic rigour generally found. Moynahan (1978), for example, does succeed in giving a rich-text picture of the operation of the industry in the pre-liberalisation era of twenty-five years ago, and Petzinger jr. offers a thoroughly researched qualitative account of the troubles which befell US airlines in the period following deregulation in particular. His coverage of the UK airline industry is, however, restricted to the battle between Virgin Atlantic and British Airways (Petzinger jr, 1995).

Strategy

Recent authors have started to turn their attention to the application of business strategy frameworks to the airline industry. A good example of this is by O'Reilly, who has

applied Easton's model of political analysis and Porter's five forces model to the newly deregulated EU airline industry (O'Reilly, 1995a; O'Reilly, 1995b).

Streffens investigated the strategic implications of change for airlines, and in particular relates this to airlines seeking multi-national status (Streffens, 1995). Guillebaud and Bond made a contribution to the much neglected topic of 'survival'. They argue that airlines are looking for four panaceas to ensure their survival:

- removing intermediaries (e.g. travel agents);
- managing (capturing!) the customer (e.g. through loyalty programmes and IT advances);
- advancing the product (e.g. network extensions, service upgrades etc through codesharing alliances);
- virtualisation of the airline by increasing the extent of outsourcing.

They also question whether the airlines are paying sufficient attention to customer needs (Guillebaud and Bond, 1997). Barkin and Morgan suggest that many more airlines should be using their distinctive assets and capabilities to achieve profitable, non-core growth. In particular they argue that airlines should be creating a growth culture (Barkin and Morgan, 1998).

Kangis and O'Reilly surveyed twenty-one airlines to give a broad overview of strategic responses by airlines to the increasing competitive pressures in the deregulated EU.

Among their conclusions were that:

'perceived strengths in competitors are in lower wage costs and superior marketing;

'most competitors were either UK or [non-UK] EU based;

'the most profitable routes which attracted the most competition varied, [although London and the UK in general were over-represented];

'major new competitors are perceived as being independent and larger than established airlines;

'respondents believed that the generic strategy most commonly adopted by new entrants is cost leadership'.

(Kangis and O'Reilly, 1998, p.180)

This work thus supports the choice of the UK airline industry as the choice to be studied and indicates the relevance of financial and marketing considerations to airline executive's perceptions, although, like most researchers in this area, the unit of analysis is the airline rather than the airline executive. They used a specifically organisational measure of the importance of marketing - the manpower commitment to marketing. Again, an opportunity for contribution arises through the current research focusing on individual executives.

Economics and Finance

While the strategists above have made useful contributions to the debate on the challenges facing airlines, this usefulness is not totally consistent. Goolsbee produced what might be considered an exemplar of the dangers of number-crunching approaches with no sense of a rich-text qualitative picture. He states that

"This paper uses new data on the service lives of individual capital goods in the airline industry to empirically examine the impact that economic factors have on capital retirement."

(Goolsbee, 1998)

The 'new data' is actually 1969-1985 data from the US Civil Aeronautics Board regarding Boeing 707s! Goolsbee mentions, but largely ignores, other factors which affect financial performance, and treats everything homogeneously.

Morrell offered a text on airline finance but from the perspective of financial accounting (Morrell, 1997). It does not offer much additional insight from a specifically airline perspective, except as noted below with regard to the problems of airlines' return on investment.

Financial analysis of data for airlines has not been widely explored, although Virtanen provides one example, looking at the use of management accounting and cost controls adopted by Finnair as it prepared for deregulation (Virtanen, 1996).

Deregulation

The significance of the deregulation of the UK airline industry cannot be underestimated for the domestic market. For political reasons the UK had sought the privatisation of the national flag carrier much earlier than other European countries. Paradoxically no parallel deregulation of domestic routes and airports took place. In fact, the bilateral nature of the majority of (international) routes made an exactly parallel deregulation unlikely.

The liberalisation of air transport was enacted in the USA earlier than in Europe, and Sawers was among the first to consider what lessons Europe could learn from the American experience (Sawers, 1987). Barrett urged the case for European deregulation vehemently, wanting the end of monopolist flag carriers and a removal of the major barriers that regulation imposed on would-be new entrants (Barrett, 1987). The progressive deregulation that ensued has been widely covered in the literature (Alamdari, 1989; Button, 1991; Doganis, 1991; Williams, 1994; Dobson, 1995; Lobbenberg, 1995; Jones, 1998b). Barrett recognised that there were fundamental differences which made comparison problematic, notably that costs were much higher in Europe - at least in part due to the inefficiency of European carriers - and that few European governments really desired free competition in air transport. Kasper argued that

“The key to building a more liberal regime for air services is to capitalize on the pressure created by deregulation to create a market-based regime in air services. As the world’s leading civil aviation power and its largest air services market, the United States is the logical, if not the only, candidate for the leading role in that effort.”

(Kasper, 1988, p.121)

Certainly, within Europe, the United Kingdom seemed the most likely candidate for the introduction of deregulation. After all,

“The UK domestic market has never been fully run as a strict state monopoly. Since the end of World War II private airlines have flown some domestic scheduled services. However, although the UK domestic sector may have had a

multiplicity of airlines the idea that they might compete with each other for the same passengers is relatively new and by no means fully developed even now.”

(Organisation for Economic Co-operation and Development, 1988, p.133)

In the UK a measure of competition had occurred, unlike in most other EU countries -

“In 1981 there were 12 routes with more than one airline operating, and a further two routes with indirect competition from different London airports. In 1976 the figures were eight and two respectively [Source: ABC World Airways Guides].”

(Organisation for Economic Co-operation and Development, 1988, p.137)

Although not set in the context of the airline industry, Ingham provides an interesting resource-based view of the diversifying entry decisions made by firms in a deregulation scenario (Ingham, 1995).

As the extent of liberalisation spread in Europe (see Table 1 on p. 5 for the timetable of changes), trends began to emerge (van Hasselt, 1997). Firstly, the growth in air traffic was causing problems with runway and ATC capacity. Secondly, restructuring of the industry had proved dramatic and painful. State aid had not been totally withdrawn by all EU governments. Thirdly, liberalisation was problematic in that a common European approach needed to embrace a range of issues relating to competition, alliances and ownership.

The Commission of the European Communities argued that for deregulation to be considered a complete success four ‘grey areas’ needed to be resolved (Table 10). The most significant area in which there has not been deregulation is in the area of bilateral agreements, in particular those between EU governments and non-EU governments (Doganis, 1993; Levine, 1993; Chataway, 1995).

Civil Aviation Authority

In spite of the high degree of deregulation of the air transport industry achieved in the UK, large sub-sectors within the industry remain heavily regulated - for example, air traffic control, safety, airport operations. The CAA retains distinct regulatory powers and acts as a focus for policy development by successive governments. It produces

Area	Comment
Air fares	In many cases the Commission believed they were still far too high
Capacity restrictions	The airports and ATC needed to be sorted out (Doganis, 1992; Skapinker, 1997; Feldman, 1998)
Costs of air transport	Still too high
Access to the market	The continuance of state aid and subsidies through Public Service Obligations and the increasing number of airline alliances have resulted in the continuance of significant entry barriers

Table 10 Concerns of the Commission of the European Communities (1996)

advisory, commentary, discussion and consultation documents as well as sets of hard data relating to airline operations and aircraft movements. Recent important documents have covered topics such as domestic competition (Civil Aviation Authority, 1987), competition in the European context (Civil Aviation Authority, 1993; Civil Aviation Authority, 1994b; Civil Aviation Authority, 1995b), the economic impact of new services (Civil Aviation Authority, 1994a) and slot allocation (Civil Aviation Authority, 1995a).

Performance

Oum and Yu measured and compared productivity and unit costs of 23 major world airlines. They put together a database and calculated gross Total Factor Productivity over the period 1986 to 1993. The main conclusion was that European airlines had managed to improve productivity and close the gap with North American airlines since the beginning of liberalisation in 1987 (Oum and Yu, 1995).

In a study of the performance of Olympic Airlines, Fragoudakis developed performance measures which improved the validity of making comparisons between airlines. He argued that previously

“the existing differences in the nature of operations deriving from airline operational characteristics as well as the form of ownership and external environment have imposed insuperable problems on the analysis.”

(Fragoudakis, 1991)

A similar study was undertaken by Guðmundsson (1995) with respect to US start-up airlines. He noted the inherent difficulty with ‘success’ and ‘failure’, and concerned himself primarily with the prediction of failure in these airlines.

Guðmundsson has developed this research in more recent works (Guðmundsson, 1997; Guðmundsson, 1998b; Guðmundsson, 1998a). These works are particularly relevant to this thesis, but differ in essential ways:

- They are written from a positivist, quantitative, impersonal economist’s perspective; the current research, as is elucidated below, is from a phenomenological, qualitative, personality-filled strategist’s perspective.
- They are restricted to start-up airlines, in the specific context of deregulation; the current research is not restricted by age-status of airline.
- They cover both American and British airlines, with greater emphasis on the former, whereas the current research is restricted to UK and Irish airlines.
- Their methods include surveying managers from a spectrum of levels within airlines, with only 10.2% of the 59 respondents being defined as ‘top managers’; the current research is restricted to polling top managers who have an effective input into determining an airline’s strategy.
- Their definition of failure is essentially the straightforward objective measure of bankruptcy; the current research seeks to determine a descriptive definition of failure which is less extreme than just the ultimate form of failure.

Other writers on airlines (Fragoudakis, 1991; Oum and Yu, 1995; Virtanen, 1996; Morrell, 1997; Goolsbee, 1998; Tae and Chnyan, 1998) follow similar stances and avoid the rich-text picture sought by this author.

Alliances

As noted above, the Commission of European Communities (1996) has expressed concern about the increase in the number of airline alliances and the anti-competitive outcomes of this. Rhoades and Lush (1997) provide a useful typology of airline alliances, based on the two variables complexity and commitment of resources (see Table 11).

		COMPLEXITY		
		Low	Moderate	High
COMMITMENT OF RESOURCES	Low	Codesharing	Insurance; parts pooling	Baggage handling; sharing maintenance
	Moderate	Blocked space agreement; revenue sharing; wet lease; franchising	Joint service	Joint marketing
	High	Computer Reservation Systems (CRS)	Management contracts	Equity governance

Table 11 Typology of strategic airline alliances (Rhoades and Lush, 1997)

Codesharing has been analysed by Hannegan and Mulvey (1995) and more recently by Park and Cho, who concluded from a study of 56 airlines that:

1. codesharing, in fact, increases the carriers' market shares;
2. codesharing between existing airlines increases market shares less than those between relatively new carriers;
3. the market-share-increasing effect of codesharing alliance is higher in markets with fewer competing carriers.

(Park and Cho, 1997)

Burton and Hanlon studied the marketing outcomes of strategic airline alliances arguing that alliances actually increased competition in some instances through the hub-structure of airline networks (Burton and Hanlon, 1995), . In a related area, Bond investigated the marketing outcomes of redesigned networks, which have only become possible since deregulation (Bond, 1995).

A number of key issues regarding the increasing formation of airline alliances and the implications for competition have been identified by Alamdari and Morrell, and these include the significance of cost reduction and revenue enhancement, factors which might therefore be expected to emerge in airline executives' responses during the fieldwork of the present research (Alamdari and Morrell, 1997).

Operational Aspects - Charter Operations and Startups

Although the emphasis of research work has been clearly on scheduled services, deregulation has had an impact on charter operations. Gill, for example, argued that the expansion of Airtours International and Britannia into European markets has not only pushed prices down but has also disturbed the 'cosy status quo' (Gill, 1998a). Lobbenberg explored the alliances developed between charter operators and scheduled carriers (Lobbenberg, 1995). He found that charter airlines had moved cautiously into the scheduled market, and strategies adopted included vertical and horizontal integration, product development and, as with Almadari and Morrell (1997), cost control.

The phenomenon of low-cost start-up airlines which has blossomed since deregulation has attracted a number of researchers. Guild suggested that there are four barriers to success for European airlines wishing to follow the successful path of US carrier Southwest:

1. high infrastructure costs, e.g. ATC, ground-handling, landing fees;
2. difficulty of securing finance from European institutions;
3. lack of unrestricted cabotage rights [the rights of an airline based in one country to carry traffic entirely within another country], still, and the presence, still, of some 'subsidised' majors;

4. competition from TGV high-speed rail in France and the Autobahn in Germany, two of Europe's largest domestic markets.

(Guild, 1995a)

Later work looks at both generic strategies and differentiation strategies (Guild, 1995b; Jones, 1996; Gallacher, 1997; Gill, 1998b; Jones, 1998a).

Little academic research has been published on other changes in the UK and Irish airline sector, in particular on its reshaping other than the emergence of low-cost carriers. From practitioner sources, such as *Flight International* and *Airline Business* it is possible to identify a number of trends. These include:

1. A number of mergers or take-overs, e.g. the emergence of JMC through Thomas Cook's purchase of Caledonian and Flying Colours; the take-over of Go by Easyjet; the merger of Air Foyle and HeavyLift.
2. The desire of larger players to sell off smaller operations, e.g. the troubled relationship between KLM uk and its parent KLM; the sale of Go by British Airways; the management buy-out of Maersk Air to form Duo.
3. On the other hand, the phenomenon of some larger carriers setting up subsidiary low-cost operations, e.g. MyTravel's MyTravel Lite; British Midland's BMI baby.
4. The rebranding of airlines, e.g. Airtours International as MyTravel; British Midland as BMI; Heavylift Cargo as HC Airlines; Sabre Airways as Excel Airways.
5. Attempts by new entrants to enter the market, e.g. Astraeus; Blue Fox.
6. The development of niche players, e.g. British Mediterranean Airways; Eastern Airways; Excel Airways.
7. Airline failures, e.g. AB Airlines; Debonair; Gill Airways.

8. The emergence of Easyjet and Ryanair as the dominant players in the low-costs sector.

The first three trends suggest an ambivalence in approach of major investors, with different large carriers seeing the market as either attractive or unattractive. This climate of uncertainty is also reflected in trend 4. Trends 5 and 6 reflect a distinct optimism, whereas trend 7 provides hard evidence of the increasing competition in the market place.

The three failures show both a number of similarities and some differences. Both Debonair and Gill Airways had sought to internationalise their operations as regional carriers through agreements with Air France (the former through a wet-lease agreement, the latter as a franchisee) in order to achieve significant growth rapidly. Both Gill Airways and AB Airlines had developed hubs which placed them in positions resulting in great head-to-head competition on specific routes with larger airlines. The actual demise of both Gill Airways and AB Airlines followed prolonged debt-restructuring exercises which their respective banks were no longer willing to support. None of the three attracted rescue bids, although Richard Branson had been reported as considering a bid for AB Airlines previously in order to acquire its Gatwick slots (Airwise News, 1999).

Debonair had adopted a unique business model which has been described as 'low cost, high quality' (Bonnassies, 1998). It was also different from AB Airways and Gill Airways in that it had only recently started up.

This analysis highlights some of the airlines which might be expected to be mentioned by airline executives during interviews, although the three failed airlines are only likely to appear anecdotally as, with the partial exception of Gill Airways, which remained operating at the start of the series of interviews, interviewees are likely to focus on airlines extant at the time of the interview.

Other Management Perspectives : Marketing and Tourism

Marketers have a particular interest in the airline industry with regard to customer retention (Appiah-Adu, Fyall and Singh, 1998, for example) and customer loyalty (Zins, 1998, for example).

Within the airline industry there has been relatively little written from this perspective, but it is worth noting the extraordinary claims made by Robert Ayling of British Airways (BA). In the year that saw a major strike by BA cabin crew, he argued unconvincingly that:

“A vital part of a brand’s personality is its closest interface with our customers: the staff. Good customer service is essential. It is central to our competitive edge as it increases our customer retention and our overall efficiency.

“Our approach can only work if we have a clear vision, deliver the basics reliably and consistently, and employ staff who have a passion for delivering excellence in customer service. Their personality and attitude will project the image of the brand.”

(Ayling, 1997, p.44)

Relationship marketing, in particular the use of frequent-flyer programmes, is described in detail by tourism academics (Cooper et al., 1998, for example), a perspective from which the World Travel and Tourism Council advocates the case for more air liberalisation, which will aid the development of the travel and tourism industries (World Travel and Tourism Council, 1997). Wheatcroft, again from a tourism perspective, provides a detailed account of the relationship between deregulation and other aviation policies on the one hand and tourism policies on the other, with mainly non-European case studies (Wheatcroft, 1994).

One standard (American) textbook - *The Essentials of Aviation Management* (Richardson, Rodwell and Baty, 1995) - adopts a functional approach, with chapters on business functions and aviation functions, yet perversely avoids any discussion of strategy. A British counterpart - *Airline Marketing and Management* (Shaw, 1999) -

devotes but half a chapter (of eleven chapters) to ‘strategic families’, within a chapter called *Airline Business and Marketing Strategies*.

Top Managers

To build background case studies from contemporary sources of airline executives which explore their strategic intent and thoughts on their successes and failures, a wide variety of both written and video material was used. Written material includes a number of biographies, both authorised and unauthorised, although it should be noted that this distinction is not always as useful as might be imagined. The immediately available literature and media material tends to concentrate on a small number of airline heads - unsurprisingly, the charismatic/popularist ones (see Table 12).

Laker:	Eglin and Ritchie (1980); Monckton and Fallon (1982); Banks (1982); BBC2 (1994); BBC2 (1997)
Branson:	Brown (1988); Channel 4 (1994); Jackson (1995); Gregory (1994); plus BBC2 (1998) and an autobiography (Branson, 2000)

Table 12 Sources on Charismatic Leaders

Other airlines / airline executives include BA management (Reed, 1990; Channel 4, 1994), Sir Michael Bishop of British Midland (Channel 4, 1994; Anon., 1997) and Harry Goodman of Air Europe (BBC2, 1991; Powell, 1994). Merton Jones provides a detailed but essentially descriptive account of the emergent strategies of all contemporary and defunct privately-owned UK airlines (Merton Jones, 1976a; Merton Jones, 1976b; Merton Jones, 1976c; Merton Jones, 1977).

Conclusions of Airline Industry Literature Review

Previous academic research into the airline industry tends to fall within certain clear parameters:

1. Research has been either at an industry level or an airline level. The dimension of airline executive is largely missing.

2. The issue of deregulation in Europe has triggered research that, again, has not been at the level of individual executives, but rather at the more generalised political and economic level.
3. Research has tended to be designed to identify effects which are the same for different airlines rather than to identify differences between individual airlines.
4. The study of airline strategy is relatively recent, beginning seriously in 1995, with the work of O'Reilly and of Streffens.
5. With the exception of the work of Oum and Yu (1995), the limited work by Morrell (1997) and Virtanen's 1996 conference paper, little research has been conducted into the use of financial analysis by airlines.
6. The growing literature on success and failure in the airline industry, particularly the work of Guðmundsson, is written from a different perspective to the current work. Its approach is not at the level of individual executive, and it does not investigate failure to any depth.
7. The research which has been conducted on top teams and individual leaders has not been conducted as rigorous academic research, but provides secondary data which allows some insight into the world of senior airline executives.

General Conclusions of the Literature Review

The current body of literature emerges as one with little work on the airline executive as the unit of analysis and little academic research on success and failure from the individual's perspective. In order to make a contribution, this thesis develops from the identification of these gaps. The focus is on the individual and his/her perceptions, which suggests a phenomenological methodology involving interviews and questionnaires in order to establish primary data regarding the individual's perceptions. In order to establish the context of these perceptions of success and failure, it is

necessary to adopt a comparative methodology which investigates the relationships between perceptions of 'success' and 'failure' and objective measures of performance.

“Like the nets of deep-sea explorers, qualitative studies may pull up unexpected and striking things for us to gaze on.”

(Barton and Lazarsfeld, 1969), quoted in (Burns, 2000)