

Case Southwest Airlines

Read the Southwest Airline case description

Sit together in groups and discuss the following questions

- Recapitulate the phases of the history of Southwest Airline chronologically.
- What were the drivers for investing into technology?
- What perspectives of Strategic Alignment can you identify?
- What were the difficulties to deliver solutions before the Southwest Transformation and what were the reasons?
- Why and how did Southwest try to enforce standards?
- What were the major changes and results of the Southwest Transformation? How did Southwest achieve the alignment of business and IT?
- What is the relation between business processes and IT in the SWA change processes?



Answers

1) Chronological History:

- 1971 Start: flights between Dallas, Houston, San Antonio
Growing both organically and by acquisitions; flights to non-neighboring states
- 1985 Start development of reservation system
- 1995 southwest.com reservation system
- 1996 first airline to sell tickets on website
- 2002 self-service check-in
- 2001 Business transformation initiated
- 2003 formalized assessment and professional development process
- 2004 Changing business process (e.g. Redefining Excellence, CRM)
- 2006 business strategy teams (objective: focus on company-wide priorities)
- 2007 business transformation finished

From this we can derive three phases

- Phase 1 - Until mid 1990's
 - Low-tech profile, IT as a service, cost factor
 - Example: Development of reservation system only for cost saving because major airline reservation systems raised fees
- Phase 2 - From mid 1990's until around 2002
 - Investment into IT
 - systems where addressing local needs but not supporting business objectives
 - technology staff grew from 60 to 1,200
- Phase 3- since 2001: Business Transformation
 - IT-Strategy
 - Standardisation

2) drivers for investing into technology

- Phase 1: Cost saving
- Phase 2: market growth, competitors, innovation in IT → Satisfying local needs
- Phase 3: market growth, competitors, innovation in IT → Strategic alignment, IT Strategy

3) Perspectives of Strategic alignment

- Phase 1: Strategy Execution Alignment
 - Business Strategy as Driver
 - Performance Criteria: IT as a service for business, cost savings
- Phase 2: Strategy Execution Alignment
 - Business Strategy as Driver
 - Satisfying local needs
 - No IT Strategy



- Phase 3:
 - Beginning: Competitive Potential Alignment
 - o Development of IT Strategy, IT Standardisation as driver
 - o Technology Push (was necessary to force IT standardisation, was possible only with lead of IT)
 - Later: Technology Transformation Alignment
 - o Business Strategy become driver
 - o Coordination between Business and IT Strategy via strategy teams

4) Difficulties in phase 2

- dramatic growth
- not well organized
- organisational silos
- technological incompatibilities
- coordination costs

Reason: No IT strategy, satisfying local business needs

6) major changes and results of the Southwest Transformation,

- Fixing the technology organisation
 - o clarification of roles, jobs, functions
 - o standard set of tools and process for reliable services
- Building a technology foundation
 - o standards: styles & stacks
- Implementing IT Governance
 - o Tollgate: reviewing of development projects
 - o strategy teams: business & IT
- cultural change: whole company
- Changing the business processes
- agility through IT (in addition to agility through people)

7) see 3)

Relation between business processes and IT in phase 3

- Early period: Technology push; Technology became a driver of change and Technology became the force in the business
- Over time ownership of change initiatives moved back to business leader: change of business processes

What can we learn

There should be an IT strategy which is aligned with business

IT strategy consists of standards for

- applications
- Infrastructure
- Processes (e.g. IT management, development)

Alignment between business and IT means that there is a close interaction

