

Case Southwest Airlines

Read the Southwest Airline case description and be prepared to discuss the following questions

1. Recapitulate the milestones of the history of Southwest Airline chronologically.
2. Can you identify different phases with respect to the role of IT or the strategic alignment of business and IT?
3. What were the drivers for investing into technology in each of the phases?
4. What were the difficulties to deliver IT solutions before the Southwest Transformation and what were the reasons?
5. Why and how did Southwest try to enforce standards?
6. Can you identify perspectives of Strategic Alignment according to Henderson and Venkatraman (1993) for each of the phases?
7. Would you say that there are phases in which Southwest Airlines has a Digital Business Strategy?

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

2) From this we can derive three phases

- Phase 1 - Until mid 1990's
 - Low-tech profil, 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

3) drivers for investing into technology

- Phase 1: Cost saving
- Phase 2: Satisfying local needs
- Phase 2/3: market growth, competitors, innovation in IT

4) difficulties in phase 2

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



5) 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)

6) Perspectives of Strategic alignment

- Phase 1: Strategy Execution Alignment
 - o Business Strategy as Driver
 - o Performance Criteria: IT as a service for business, cost savings
- Phase 2: Strategy Execution Alignment
 - o Business Strategy as Driver
 - o Satisfying local needs
 - o 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: Digital Business Strategy

 - o Coordination between Business and IT Strategy via strategy teams
 - o Involving business and IT

