

The five lessons to be drawn from “Gourmetgate”



EXECUTIVE SUMMARY

Over the summer, British Newspapers were filled with reports of the industrial dispute at Gate Gourmet. Was “Gourmetgate” a Watergate style conspiracy masterminded by a Dickensian “Gradgrind” employer or was it a series of devious machinations by militant trade unionists determined on raising the People’s Flag over Heathrow? The position was in fact far worse and it could happen again. Far from being an evil plot – the problem was that too many key players seem to have lost the plot.

We believe that there are five lessons to be drawn:

- This breakdown displays the attributes of a “Normal Accident” and it could happen again***
- Effective heuristics that predict corporate failure have been available for some time. The dispute has followed a classic failure path with financial stress leading to loss of grip on corporate reality***
- In implementing change programmes companies need to pay attention to both the economic and psychological bargains that exist between workforce and employer***
- Various mechanisms generally impede the capacity to understand the need for change. A compelling case has to be made and effectively communicated, if necessary more than once.***
- Unless treated as a learning experience, at best this dispute will only result in Pyrrhic victory. The inherent perturbation in the day-to-day operation of civil aviation requires an engaged and mutually supportive supply chain to function successfully.***

“I have learnt from my mistakes and can repeat them exactly” – Peter Cook.

Alan Heeks ⁽¹⁾ in his book “The Natural Advantage” suggests that experience should be treated like compost. It should be allowed to reduce to its essence and then reapplied when making future decisions. The beauty of Heek’s analogy is that it does not matter whether the experience is good or bad because by understanding the essence you can choose to replicate those activities that result in good experience and refrain from those that lead to bad experiences.

So what are the lessons to be learnt from the dispute between Gate Gourmet, its employees, their Trade Union – The Transport and General Workers, Gate Gourmet’s worldwide customer base including British Airways and the rest of the Air Transport Industry? How can such a breakdown be avoided in the future?

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Lesson one: This was a “normal accident” which arose from a cocktail of causes that have happened at the same time and the same place.

- Civil carriers face difficult trading conditions – high fuel prices, disruptive security threats and classic carriers losing market share to new low cost paradigm carriers. With competition effectively capping prices the pressure is on to reduce costs. Not all costs are, however, susceptible to negotiated reduction, in particular fuel. This increases pressure to reduce costs elsewhere. For those airlines with extensive support infrastructures outsourcing has become a method of releasing balance sheet headroom and injecting competitive advantage into their businesses.
- This pressure manifests itself on the supply chain in the form of reduced landing fees and marketing fund contributions from airports, frozen or reduced flight support charges such as maintenance, baggage handling and catering. Perhaps most importantly new organisations take over existing and ongoing functions. This has resulted in a new corporate landscape, changing boundaries and disordering hierarchies
- The workforce often finds itself as the group with whom the buck stops. Reduction of remuneration, job security and associated benefits such as pensions strike at fundamental obligations to pay mortgages, support children’s education.

The information upon which each group was able to form judgements varied dramatically. All involved made what seemed reasonable decisions at the time. The failure to appreciate the drivers and hence likely responses of others led to the construction of erroneous world-views and these conflicting images then led to a collision. A state of affairs Charles Perrow defines as a “Normal Accident” ⁽²⁾

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Lesson two: We have witnessed a classic Corporate Failure – financial stress leading to a loss of grip on reality.

In the mid 1970's John Argenti ⁽³⁾ developed a set of heuristics that give clear warning of which companies are liable to fail and when. He argued that there were certain patterns of behaviour associated with business failure.

“Two things will be neglected: the system of accountancy information will be deficient and the company will not respond to change. Some companies may be damaged because powerful constraints prevent managers making the responses they wish to make. Poor management will also make at least one of three other mistakes – overtrading, over-dependence on a big project or they will allow a company's leverage to rise so that normal business hazards become constant threats.”

Roger Hale ⁽⁴⁾ in “Credit Analysis – A Complete Guide” later usefully extended the definition of necessary information beyond accountancy to a broader corporate awareness of the implications of change.

So what happened at Gate Gourmet? In 1997, British Airways outsourced its catering operations to Gate Gourmet then owned by Swissair. It bequeathed the new company an ongoing contract and a workforce in which there was significant population of first and second-generation immigrants from South Asia, in particular, Sikh's from the Punjab. Typical of immigrant populations they were prepared to undertake anti-social hours shift work patterns. These working patterns reinforce a sense of community amongst airport workers and such a sense of community has in turn a powerful influence on how people gain information to make decisions. At the time of the outsourcing there was a certain amount of disquiet as employees lost their access to the discounted flights. In addition to financial rewards and the security of working for a known blue chip company the cheap tickets were psychologically significant for workers with extended families now stretched across the globe.

Swissair, as an employer, subsequently fell upon hard times following the down turn triggered by the 9/11 attacks. It finally succumbed to bankruptcy in October 2001. Ownership of Gate Gourmet passed to venture capitalists, Texas Pacific Group in December 2002 for 1 billion Swiss Francs. Texas Pacific had previously been involved in the turn round of Continental Airlines ⁽⁵⁾. Texas Pacific's involvement in the revamping of Continental took 10 years, but eventually yielded return of 11 times its initial equity stake. In theory, this takeover should have been a good deal all round. The United Kingdom operations were now owned by an organisation for whom flight catering was the core, not a peripheral, business. Its global operations should have been a source a good practice enabling improved productivity, profitability and security. The ownership by venture capitalists should also have been beneficial as they make their money by taking an asset base improving its performance and then either floating the operation on a stock market or selling it on in a trade sale. The owners share a vested interest with the employees in seeing the operation succeed. But somehow this did not quite happen.

Gate Gourmet has a strong revenue stream. It employs 22,000 people in 109 flight kitchens in 29 countries; creating 195 million meals per annum generating a 2004 turnover of 2.4 billion Swiss Francs (\$ 1.95 billion). It has, however, lost money annually since 2000. The company is in default on nearly 700 million Swiss francs, or \$558 million, of debt. Junior creditors, which are owed about 270 million francs, started discussions in late August 2005 with the remaining lenders about collecting their debts. Crucial to its turnaround is its performance in Britain, where it is on track to lose £25 million (\$45 million) this year, and where it became desperate to cut labour costs. The pernicious effect of Losses, as John Argenti noted, is always to increase Leverage.

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Thus the elements of John Argenti's failure path fell into place. Technically Companies do not make losses – they sustain them. Losses are funded initially from reserves of capital or prior profits; later credit facilities are drawn upon either by agreement with banks or by delaying the payment of creditors. At some point red lights start to flash as overdraft limits are approached or creditors deny supplies and simple operations like making the payroll become a feat of financial engineering. Management tends to draw in the reins of control – authority and autonomy of action amongst the workforce become proscribed and this often takes place with minimal explanation storing up trouble for the future as what the company says is not what the workforce hears. The message “*we need to cut costs now*” often comes across as “*we trusted you before – we don't trust you anymore*”. As the internal climate within a business continues to deteriorate often people lose touch with reality. In Gate Gourmet this manifested itself on a plan to provoke an unofficial strike and thereby avoid paying workers redundancy payments. At the same time, replacement staff recruited from eastern Europe were to be trained at locations away from Heathrow and housed in rented accommodation paid for by Gate Gourmet and recouped from their pay. When this became public knowledge, Eric Born, the company's UK Managing Director, said, “*The highly inappropriate and undesirable blueprint had been drawn up by the previous management team and dismissed by current executives. The recommendations by the previous managers were sheer lunacy.*” Which they were but by that time Mr Born had to face the fact he had a credibility gap because whatever his views the facts on the ground were looking remarkably like the plan following the termination of over six hundred workers in chaotic conditions.

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Lesson Three – The circle of adversity – Economic and Psychological Bargains

When a company is in trouble it is similar to a wagon tree besieged by Indians. To survive it needs to circle the wagons and focus attention on survival. The corporate recovery wagon master needs to make choices as to who is on his side – his management team, his workforce, his creditors, his bankers and his shareholders. My personal experience in over twenty-five years of intervening in such situations is that it is better to have the workforce on the inside of the circle shooting out than on the outside shooting in. It is the workforce that is the primary interface with both customers and suppliers and they are key agents in what is fundamentally a question of trust. Will Swann of the University of Salford defines trust as “The willingness to be dependent upon the acts of other”. This willingness has to exist between customers and suppliers and the company it has first to exist between employee and employer. So what has caused the break down of trust that resulted in mass pickets and reverberations impacting on their primary customer's operations?

The University of Lancaster's Professor Cary Cooper and his colleagues described in their book, “Organisations and the Psychological Contract”⁽⁶⁾ how there are two contracts of employment that exist between any employer and employee. The first is a financial contract detailing the expectations of both sides on such matters as remuneration, holidays, and pensions – an exchange of reward for work. This is usually written down and hence is explicit. The second is a psychological contract that consists of mutual expectations on both sides of acceptable behaviour– an exchange of corporate citizenship for consideration – adherence to corporate norms in return for respect and consultation. This is rarely written down and is therefore implicit. It is part of the culture – “ the way we do things round here”. The psychological contract often defines membership of the organisation – the feeling of being involved in a work community- the sense of loyalty to company and colleagues – the sense of being valued by company and colleagues - the willingness to be dependent upon their actions – in essence, organisational trust. Violation by one side or the other of either contract provokes an adverse reaction. The difference is that whilst the explicit economic contract provides some clear benchmark for what has been originally agreed no such benchmark exists for the implicit psychological contract. Changes to this contract can be therefore be regarded as slights and infringements by one side with the counterpart not understanding and indeed being surprised that anybody has been offended.

Changing “the way we do things round here” is however inevitable during corporate restructuring. Somebody's, usually the employee's, psychological contract is being unilaterally re-written (except that by definition it never has been written). The drawing in of corporate reins is often taken as a sign of lack of trust and thus it was not surprising that Gate Gourmet employees took it personally.

The Daily Telegraph reported on the 28th August 2005: *“Mr Sekhon 47, had worked for Gate Gourmet as a driver for 15 years before being dismissed 10 days ago. “The way this company has treated us is very bad,” he said. “They should not be allowed to get away with this.” Other dismissed workers echoed his views. Richard Quao, 44, a former driver, said: “The Company asked us to come up with ideas to cut costs and we gave good proposals. Every time we did this, they just put a spanner in the works.” Referring to Gate Gourmet's decision to replace sacked workers with casual staff, he said: “They say the eastern Europeans are cheaper. Most of us were earning around £1,000 a month”. “Out of that money, most went on income tax, council tax, mortgages and of course feeding our families. We have been very good workers. I don't have a blemish on my record and that goes for everyone I can think of. We have been treated like dirt. When people read about us in the papers, they read about hundreds of people who have lost their jobs. What they should remember is that it is not just hundreds of people that have been affected, but also all their families.”*

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The Guardian reported on the 27th August 2005 the words of Mrs Harindar Atwal: *"Working at Gate Gourmet was a family affair". A mother of three teenagers, she said, "Until 18 months ago Gate Gourmet was a decent employer. Most of us live locally. We don't have to travel far and we can spend time with our families that we couldn't otherwise. The women say most of them work to supplement the family income. Most of us have mortgages and two incomes are important. Although the salary, around £6 an hour, was certainly not on a par with most London workers, it was a great job because it was local and the hours "not too bad. Gate Gourmet management says we are militant by striking. But we are not being militant, if we didn't like our jobs and we didn't care about the company, why would we bother." Mrs Atwal says all of the sacked staff shared her attitude. "We didn't earn great money but we put a lot of time and thought into our jobs," she claims. Despite a take-home pay of just £10,000 to £12,000, workers were committed to improving their conditions, she insists. "For example, we could see a lot of wastage, certain foods that tended not to be eaten. We used to talk about how we could stop having to throw away so many meals. Things started changing after September 11. Things got tougher and that was when management started pushing us to work harder and harder. At the same time the company was taking on new staff, mainly managers - German or American and not British. We felt they didn't really know how to manage us properly. At first changes looked like they might be for the best. They wanted our thoughts and feelings on the whole production process," Mrs Atwal explains. "So we started having regular meetings when staff would tell managers what they felt needed to be done. But it didn't work out quite the way staff expected. "We were honest, there were many things that could be done quicker and other things that needed to be improved, and we knew some of us were talking ourselves out of a job. We saw our ideas as an investment in the future."*

The use of such terms as *"treated us very bad – not be allowed to get away with this"* *"Working at Gate Gourmet was a family affair"* *"I don't want a blemish on my record"* are all indicative of the psychological contract coming under pressure.

Looking at the issue from the company perspective there appears to have been a growing perception that the workforce was the cause of the problem and resistant to change. Press reports began to emerge talking of "Spanish practices" and outmoded working methodologies. On the 23rd August 2005, Christopher Hope reported in a polemic style in the Daily Telegraph:

"Yes, just when you thought it was dead, the scourge of British business for the past 30 years, the dead-hand of "1970s working practices", is back. The examples cited by Gate Gourmet's management (without corroboration from the unions) about the working practices at its Heathrow South and Heathrow West kitchens yesterday sounded like a throwback to the days when the likes of Derek "Red Robbo" Robinson ruled the roost at Longbridge. How about the Meiko industrial washer that cleans meal trolleys at Heathrow West before they are loaded on to another BA jet? The German maker stipulates that three workers are required to operate it. Yet working practices at Gate Gourmet dictate that at least five people must be deployed, some being able only to use one hand because of the crush around the machine. Or how about the working hours of Gate Gourmet's delivery drivers, paid between £25,000 and £30,000 a year including overtime? If they finish their deliveries with time to spare, they are permitted to put up their feet for the remaining hours of the shift. If a manager at Gate Gourmet tries to get them to make more deliveries, the drivers can charge another two and a half hours of overtime for every extra job they are asked to do. Oh, and some of them will only deliver to certain airlines. Work breaks are equally prescribed. Gate Gourmet's 2,000 workers are allowed 50 minutes' worth of breaks a day (30 minutes for lunch and a 20-minute tea break) as well as another 15 minutes to go to the lavatory. However, this 15-minute "toilet break" is often taken as extra time, because workers are not inclined to wait for their toilet break before going to the loo.

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Similarly, the 6am shift actually starts at 6.20 because the staff are allowed a 20-minute break to get changed. The shift is meant to finish at two o'clock, but actually finishes at 1.40pm - to allow the staff to take off their overalls. The cost to Gate Gourmet of these breaks is the equivalent of adding 70 people to the company's 2,000 full-strength staff roster. These working practices, which union officials were unable to confirm or deny yesterday, might have stayed behind the kitchen door at Gate Gourmet if it had not been for the attempts by managers to modernise them earlier this year.

Their timing was crucial. Gate Gourmet was facing a crunch. BA accounted for 80 per cent of its revenues, yet the contract was losing the company £25 million a year and was due to run out in 2008. It had to agree a new deal, on better terms, and start to operate more efficiently.

This shows a management sentiment that the workforce was not behaving as Gourmet Gate corporate citizens and was not willing to help find a solution. Employees were seen as not keeping their part of the unwritten psychological contract. The preoccupation with delivery drivers is interesting. Because the drivers operate within the airport on air side their job carries responsibility in terms of technical responsibility – bumping into a static aircraft is seen a bad form – safety responsibility in terms of understanding and obeying air traffic control regulations for ground vehicles – customer responsibility – they are most the visible face of the company and are part of the precise choreography involved in turning aircraft round on time – Security responsibility – they are vetted to ensure that they present no threat to passengers or aircraft. This is not a job for novices. As such the drivers are not instantly replaceable and enjoy some degree of security of tenure. An increase in the number of short-haul flights, which generally travel on smaller aircraft, has changed the amount of time it takes a cart driver to stock each flight in recent years. But the number of flights the drivers are required to stock has not changed, resulting in inefficiencies. Gate Gourmet's costs at Heathrow were believed to be 50 percent higher than those of other airline caterers at the airport. Their responsibilities were seen as justification for the payment premium they enjoy and yet they are perceived as ungrateful and unwilling to change with the times.

Why can't the workforce see the situation? There are two answers. The first is that the terms of the unwritten contract are often changed unilaterally by expectation by one side or the other and not communicated. The second answer relates to how we all respond to tough change and hard economic reality.

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Lesson Four – The difficulties of seeing and then facing tough changes and economic realities

Companies do not circulate their management accounting information widely. It is confidential. So the first thing most workforces know about trouble is when it arrives. It is reasonable to expect that front line employees would by virtue of the visibility they have of airport operations would understand the way the business was changing. But change is often overlaid with seasonal variations and slack periods making variation hard to discern.

Many legacy carriers, struggling to lower their costs, have felt compelled to follow the example of the no-frills operators. BA is far from alone in having outsourced in flight catering: with the exception to date of Continental Airlines, all the big US carriers and many in Europe have done the same. In flight catering, revenues are estimated to have fallen 30% to 35% since the 9th September 2001 as the airlines tightened their belts. Several of Gate Gourmet's main customers - including Delta Air Lines, American Airlines, United Airlines and Swiss International Air Lines - have been in severe financial difficulties in the past couple of years, putting severe pressure on their suppliers. In an effort to save costs, many airlines have opted to scrap free meals on shorter flights or offer them on a pay-as-you-go basis. Gate Gourmet lost a valuable contract with Virgin Atlantic earlier this year after the airline reorganised its in-flight services - including catering - and handed them to a single contractor. A complete loss of a customer impacts turnover is often something employees can see. Where it gets difficult is when airlines reduce the amount they wish to pay per meal either by reshaping the option - reducing the portion size etc or by rolling cost reductions. Following the takeover by Texas Pacific; British Airways, according to Tony Woodley, the General Secretary of the Transport and General Workers Union, sought a £50m-plus reduction in catering costs over the duration of its contract, with year-on-year productivity improvements of 3%. The contract made no allowance for even the most modest inflation-linked increase in wages. As a source, Mr Woodley may not be seen as unbiased but confirmation that British Airways' operating terms were stiff came from David Siegal, Gate Gourmet's chief executive, who was quoted in the Sunday Times on the 21st August said the company could not continue to fund mounting losses at its UK operations. *"We are no longer prepared to fork out cash just for the privilege of serving BA,"* he said. As British Airways was responsible for 80% of his turnover the situation must have seemed grim.

The management team clearly saw the iceberg threatening the ship of business and entered into discussions with the trade unions. After 32 meetings in 10 months with the Transport and General Workers' Union, Gate Gourmet managers thought they had a deal that would see most of the outdated practices consigned to history. In June 2005 a deal was reached that included a redundancy programme on the same level as the latest proposal. This was aimed at slashing labour costs by £14 million a year and was presented by the company and the union as a "rescue" package that would secure the future of the firm. It was this agreement that later led Gate Gourmet's United Kingdom Managing Director Eric Born to describe the TGWU as *"as an important business partner."* But when the proposals were put to the workers, they were overwhelmingly rejected.

If the proposals did represent a rescue package, why were they rejected? I believe there may have been a number of factors. First all of us are intuitively cautious of change. This was described in 1532 by Nicolo Machiavelli in "The Prince"⁽⁷⁾

"And one should bear in mind that there is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer than to introduce a new order of things; for he who introduces it has all those who profit from the old order as his enemies and he has only lukewarm allies in all those who might profit from the new.... Therefore it happens that whenever those who are enemies have the chance to attack they do so enthusiastically,

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whereas those others defend hesitantly and so they, together with their prince, are in danger". In essence, we all see the disadvantages of change before the advantages.

Second, there is the question of organisational trust. Don Cohen and Laurence Prusak in their book "In Good Company – How Social Capital Makes Organisations Work"⁽⁸⁾ write about the fragility of trust. Deep trust developed over a long time can be damaged or destroyed by a single act. They quote the example of long term marriages irreparably hurt by a single act. The workforce aware of earlier plans was suspicious of the full implications of what was being put before them and made judgements based upon their past experience and the current experience of contemporaries. Leadership as opposed to management is often critical at this point. Harvard Universities Daniel Perkins and Daniel Wilson captured this in their aphorism: "*Leaders are inevitably cultural architects whether they mean to be or not,*" David Siegal, the chairman and chief executive of Gate Gourmet, joined the company in June 2004, and was formerly the chief executive at US Airways. He left the airline in April 2004 after reaching an impasse with unions there. He may well have been perceived as having form as a hard liner as Gate Gourmet's problems are not confined to Britain. The company is locked in heated labour disputes in the United States, where it is trying to cut \$42 million a year in costs. This summer, Unite Here and other unions representing Gate Gourmet American employees successfully sued to have their health benefits reinstated after the company said it would eliminate them.

The third point is that the process of voting on the proposals by the workforce may have created the impression that there were more options than in fact existed given the company's financial state. In spite of Christopher Hope earlier reported remarks in the Daily Telegraph: "*The dead-hand of "1970s working practices", is back... the working practices at its Heathrow South and Heathrow West kitchens yesterday sounded like a throwback to the days when the likes of Derek "Red Robbo" Robinson ruled the roost at Longbridge*" Things have changed from Red Robbo's day. Despite the high-profile dispute at Heathrow this summer, the reality is that strikes are at a record low. Union membership is still on the decline. One major change is that Unions are obliged to hold secret ballots to sanction industrial action unlike the Dickensian hustings style of mass open air meetings of the 1970's. Intended to combat mass and individual intimidation, such ballots have in practice been used by Trade Unions as a powerful lever to demonstrate their legitimacy. Workers have turned more frequently to ballots, held at the expense of the union, to increase pressure in negotiations. Andrew Dodgson, a spokesman for the T&G, claims: "*Lots of employers finally agree a deal after a ballot is held and they realise that we speak for a lot of people,*" Outsourcing and globalisation are the two changes in business that increasingly are prompting unions to square up to their employers. "*The more changes in working practices you see, the more labour is squeezed, the more relevant trade unions become,*" Mr Dodgson said.

The vote against restructuring locked into place the breakdown of the 10th August 2005. With both Gate Gourmet fulfilling their employee's "Gradgrind" stereotype and the employees playing out their management allotted caricature as "Not of this economic world fundamentalists" escalating damage was inflicted not only the company's reputation but also of perhaps greater significance its primary customer, British Airways.

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Lesson Five: Coping with the Aftermath

Three weeks later proposals have been developed to restructure the company involving a voluntary redundancy programme which may then lead to a compulsory programme should there is being insufficient take up. The settlement terms are better than the statutory minima. Gate Gourmet's economic position has been eased by the negotiation of revised terms with British Airways, which should result in a return to profitable activity.

King Pyrus beat the Romans at Battle of Asculum in 279 BC. Noting the heavy losses his own side had taken, he is reputed to have said: *"One more such victory and I am lost."* A pyrrhic victory then became used to describe a victory so costly that it is equivalent to a loss. I believe that the Gourmetgate affair fits this description. The employees may have averted arbitrary dismissal but still will face further job losses. Gate Gourmet may have established a cost reduction programme but at a price of being regarded as a high risk supplier by others thereby endangering the business growth sought by its owners, Texas Pacific.

British Airways suffered massive reputational loss when the dispute provoked a walkout by BA ground staff, halting more than 700 flights and disrupting the journeys of around 100,000 passengers. A top airline at a major world airport was reduced to squalid chaos. Hard won paying customers have been detained in planes, slept on hard floors, fed like refugees and been told that even if they do get away their luggage will be delayed for an indeterminate period thereby ruining holidays, disrupting business trips and generally extending the trauma. Sir Rod Eddington, British Airway's retiring chief executive, rightly described the airline's humiliation as *"an outrageous and bitter blow"*. In his valedictory interview with the Financial Times on the 24th August 2005 he conceded that neither he nor senior trade union representatives had foreseen the maelstrom of emotions that had been unleashed. One cause of hope for the future is that Sir Rod does understand the Argenti principles and has demonstrated ability to put them into practice. *"One of the reasons 9/11 was such a threat to our company was that we had £6.5 billion. We were losing £1 million to £2million pounds a day and our balance sheet was not competitive. If you have got a strong balance sheet, competitive cost base and good people you can withstand the slings and arrows much more effectively. At the end of the day, we are all partners in this business, and its success, is mutually dependent on everyone pulling together to achieve the same business goals. This approach has allowed us to deliver major changes at BA over the last few years including a substantial reduction in the workforce."* It has no doubt by now become self evident to the Risk and Procurement Managers in British Airways that these principles need to be applied within their supply chain. Hence their willingness to renegotiate the Gate Gourmet deal both in terms of price and broader company performance.

Even when the dust has settled, the changing face of personnel relations will remain a far more complex picture than hitherto and the risks of "Normal Accidents" will increase. Mick Marchington and his team at Manchester University have recently published an excellent overview of the now tangled mass created by outsourcing and similar initiatives "Fragmenting Work – Blurring Organisational Boundaries and Disordering Hierarchies"⁽⁹⁾ containing a series of case studies illustrating the new realities including an example of an airport. In his opening paragraphs Professor Marchington cautions against associating low pay grade and lack of strategic import to an organisation. British Airways probably receives little credit from the majority of its customers for its catering – jokes about airline food rival those about school dinners. It has, however, found considerable opprobrium when however the function fails. In critical success factor terms catering has been shown to be a hygiene factor in more senses than one.

One lesson that Gate Gourmet needs to learn urgently is the treatment of casualties. All those who have to leave the operation must be treated with respect and dignity. There are two reasons for this. It is not the employees' fault that the market has shifted, the underlying cause of the current distress and to compound what for many will be a significant and difficult

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personal transition by insensitivity is unjust. The second reason is that the remaining 1,400 employees will be watching and will draw conclusions that say if they will do that to him they will do it to me. This is not the way to develop an engaged and supportive work force that can be trusted to maintain the myriad of small-scale hygiene and safety processes in place to enable a quality product to be delivered. Wounded buffalos (the remaining workforce) are always more deadly than dead ones (the former employees). Evidence emerged of untrained and unsupervised temporary workers breaking basic hygiene rules during an undercover operation by Rajev Syal, a Times Reporter, who posed as a temporary worker employed by an agency: *“Gate Gourmet is failing to employ basic security checks on recently recruited casual staff, a Times investigation has discovered. Some new employees at the company’s plant near Heathrow are neither searched as they enter the secure plant nor subjected to rigorous background examinations, contrary to declared company policy. Other casual workers appear to pay lip service to hygiene regulations. Ice intended for passengers’ drinks that had fallen on the floor was repacked; some lavatories had been vandalised and left uncleaned and floors were grimy.”* These potentially damaging allegations are now the subject of enquiries by the company. Gate Gourmet would be well advised to heed Sir Rod Eddington’s published views on employee morale *“the way people feel about what they do and how they do it is something that needs constant investment”*.

It will never be possible to operate a completely process driven system at Gate Gourmet with people functioning as mere extensions of the machine because of the nature of the industry they serve. There is always going to be an inherent requirement for flexibility and for “give and take” within and between members of the supply chain because of the perturbations inherent in the system. On the 24th August 2005, thousands of passengers faced delays after a fault in the air traffic control computer system saw planes grounded across the UK. National Air Traffic Services (NATS) restricted take-offs prompting widespread delays. At the time it was thought that an unrelated fault at another air traffic control centre in Holland could exacerbate the problems. Even though the NATS’ Flight Data Processing (FDP) system, based at West Drayton, went down at 0930 BST and was restored twenty minutes later, hundreds of planes at airports across the UK had been grounded. In operational terms that would have meant a day of aircraft being on the wrong stands, restricted turn round times, operating timetables melting in the August Sun and the combined support industry workforce of baggage handlers, caterers and flight dispatchers coping with the disruption by doing that which was necessary to get the system back on schedule. This collective give and take is a daily event. Gate Gourmet is going to have to develop a set of resources, processes and values to meet the new market.

Jeffrey Pfeffer and Robert Sutton⁽¹⁰⁾ in their pragmatic book “The Knowing Doing Gap” quote an example of a young executive who had cost his company millions of dollars as a result of making a mistake. On his way into to see the chief executive he thought that his future career could be counted in minutes. On arrival he said, “I suppose that you would like my immediate resignation?” He was then surprised at the response “WHAT – after I have just paid for your very expensive education.” Over the last three weeks many people have just had a similar educational experience it would be churlish and foolish not to apply Alan Heek’s principle with which this note began and to compost and use this experience.

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Bob Robinson is one of FEATHER CONSULTING'S Senior Consultants. A graduate economist and statistician, he is a Fellow of the Institute of Chartered Accountants in England and Wales. A specialist in the management of change and the implementation of innovation, he has over twenty five years experience of dealing with corporate distress and reconstruction. His particular domain experience in this area included three years as the Finance Director of an initially distressed catering company. During this time in addition to his regular duties he worked on a service line in an industrial kitchen, bussed tables and can drive a Hobart Dishwasher.

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If you have any comments upon this piece please free to contact us. If we can assist you in developing your thinking, strategy, policies or implementation of outsourcing we would be happy to contribute an external dimension.

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