

What can United CEO Munoz do to win over employees?

By Micah Maidenberg October 10, 2015

Of all the problems Oscar Munoz has to deal with as United Continental Holdings' new CEO, none is more urgent than making peace with his 84,000 employees. By his own admission—and he should know, given the years he spent on United's board—workers at the airline are “**disengaged, disenchanting, disenfranchised.**”

The Chicago-based carrier has a long history of sour relations with its heavily unionized workforce. Even so, labor's list of grievances seems longer than usual, from a botched merger that still hasn't meshed work groups to awful customer-satisfaction reviews, operational deficiencies and embarrassing tech glitches. On top of that, there's the \$3 billion management has set aside for stock buybacks instead of raises.

In the airline industry, it matters a lot how employees feel. Unless he can mollify United's rank and file, Munoz risks that frustration among flight attendants, pilots and mechanics will be passed along to travelers, who, in turn, will switch to carriers with cheerier personnel and better performances.

“There's a very clear correlation between customer satisfaction and employee satisfaction with their work and their jobs,” says Thomas Kochan, a professor at the Massachusetts Institute of Technology's Sloan School of Management, who has studied airline labor relations. “If you have a bunch of customer service agents who are stressed out at work and upset at top management or their supervisors, there's no way that doesn't show up with their relationships with customers.”

Munoz, a former railroad exec who took over the CEO job last month when Jeff Smisek abruptly left amid a federal investigation, has scheduled a meeting of the company's labor leaders on Oct. 15. Ahead of that summit, he has been flying around the carrier's system, chatting up employees and adopting an everyman persona as he dons fluorescent safety vests during appearances on airfields. He calls employees “co-workers.”

Except for profit, which hit an all-time quarterly high in the second quarter, United's numbers lately are bad. The company **came in last** among traditional carriers in J.D. Power's 2015 customer satisfaction study, and between January and August its flights were on time only 75 percent of the time, trailing all its main rivals, according to the federal Bureau of Transportation Statistics. United **ranked ninth of 12 carriers** last year in a report that ranks airlines' on-time arrivals, mishandled baggage rates and other service metrics.

DISSATISFACTION

Sara Nelson, international president of the Association of Flight Attendants in Washington, D.C., which represents more than 20,000 United workers, says members do their best to take care of passengers but acknowledges that dissatisfaction filters into their workdays.

“I was with a flight crew that handled a situation where everything was broken—the first-class seats wouldn't recline, the video equipment wasn't working,” Nelson says. Flight attendants made “those customers laugh, but it was really sad. . . . It takes a toll on individuals who have to say sorry all of the time.”

Winning over workers and union leaders won't be easy. Problems at United “occurred over the span of many, many years, and it won't be fixed overnight,” says Jerry Glass, president of F&H Solutions Group in Washington, D.C., which advises companies on labor and workforce issues.

Veteran employees who come out of the United side of the 2010 merger remember wage cuts, terminated pensions, a controversial employee stock ownership plan and bankruptcy. While last summer was dubbed

United's "**summer from hell**," so was **summer 2000**, when the airline canceled 6,700 flights due in part to a work slowdown by pilots.

Former Continental employees, meanwhile, are dismayed at "having watched the perception of their airline, considered by many to be the gold standard of equality, erode in the eyes of the traveling public," according to a recent note from New York-based Wolfe Research.

John Thomas, head of global aviation at consulting firm LEK in Boston, thinks it could take two to three years of consistent engagement to win over employees. "For this to resonate with frontline staff, you've got to rebuild the trust level," he says.

The good news for Munoz is that Smisek was so detested by union workers that they're open to his leadership—at least for a honeymoon phase. When the news broke in September that Smisek was stepping aside as investigators probed his actions at Newark Liberty International Airport, United's **pilots**, **flight attendants** and **machinists** unions all issued statements welcoming the change.

Still, as Munoz tries to win back employees, he will have to find ways to placate Wall Street, too. The company has no plans to dial back its share repurchase program, and some analysts think United could **save money** by boosting productivity and shedding more workers, a move that would represent a red flag for unions.

"He's coming into a corporation that is broken," Nelson says. To fix it, Munoz will have to show he's a different kind of boss.
