

Singapore Airlines : Gliding with People Excellence

Nilanjan Sengupta and Mousumi Sengupta

Introduction

The aviation industry has been constantly facing several challenges, such as, overcapacity, commoditization of offerings, cut throat rivalry exacerbated by the entry of low cost carriers, and intermittent periods of disastrous under-performance (Costa et al., 2002). Several macro-level socio-economic factors such as rising oil prices, the SARS (Severe acute respiratory syndrome) crisis, frequent concerns about the eruption of bird flu, the Asian tsunami, and rising terrorism concerns have further impacted profitability, adversely. In 2006, the global airlines industry suffered a net loss of \$500m, or 0.1% of revenues, accumulating net losses of \$42bn between 2001 and 2006 (International Air Transport Association, 2007). In 2007, the airline industry made a modest net profit of \$5.6bn on revenues of \$490bn, equivalent to less than 2% margin (International Air Transport Association, 2008). The outlook from 2008 onwards remains bleak. Not surprisingly, the industry is regularly rated as one of the worst performing industries in the Fortune Global 500 rankings. In this industry environment, Singapore Airlines (SIA) has consistently outperformed its competitors (Heracleous & Wirtz, 2009).



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Research Centre for Management Studies (SDMRCMS),
SDMIMD, Mysore

The case writer(s) Nilanjan Sengupta, Professor –HRM & OB and Mousumi Sengupta, Professor –HRM & OB may be reached at nilanjan@sdmimd.ac.in and mousumi@sdmimd.ac.in respectively. Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact sdmrcms@sdmimd.ac.in.

About the Company

Singapore Airlines Limited (SIA) is the flag carrier of Singapore and a five star airline. It was founded in 1972. It is one of the youngest aircraft fleets in the world to destinations spanning a network spread over six continents. Over the years, it has built up a strong brand name as a trend-setter in the aviation industry, particularly in terms of safety, innovation and service excellence. Government of Singapore is the major shareholder of the company. SIA has a strong presence in the Southeast Asia, South Asia, East Asia and Kangaroo-route. Today, the Airlines has been evolving from a regional airline to one of the most respected travel brands around the world. It is well-known for its pioneering innovations in customer services, such as (<http://businesscasestudies.co.uk/singapore-airlines/developing-a-competitive-edge/extending-the-offer.html#axzz33BKeu9GJ>),

- First to offer free headsets, a choice of meals and free drinks in Economy Class, in the 1970s
- First to introduce satellite-based inflight telephones in 1991
- First to involve a comprehensive panel of world-renowned chefs, the International Culinary Panel, in developing inflight meals in 1998
- First to offer audio and video on demand (AVOD) capabilities on KrisWorld in all classes in October 2001
- First to fly the A380 from Singapore to Sydney on 25 October 2007

The mission statement of the airlines states that it is a “global company dedicated to providing air transportation services of the highest quality and to maximising returns for the benefit of its shareholders and employees” (http://www.singaporeair.com/en_UK/about-us/).

SIA has diversified airline-related businesses, such as, aircraft handling and engineering. Its wholly owned subsidiary, SilkAir,

manages regional flights to secondary cities with smaller capacity requirements. Subsidiary Singapore Airline Cargo operates SIA's dedicated freighter fleet, and manages the cargo-hold capacity in SIA's passenger aircraft. It also engages the low-cost carrier sector through its stake in Tiger Airways and wholly-owned subsidiary, Scoot. It ranks amongst the top 15 carriers worldwide in terms of revenue passenger kilometres (Data/Airline Economics Channel, 2007). On 15 December 2010, Singapore Airlines was announced by the International Air Transport Association as the second largest airline in the world by market capitalization with a worth of 14 billion US dollars (Mutzabaugh, 2011).

Singapore Airlines began with the incorporation of Malayan Airways Limited (MAL) in 1947. When in 1963, Malaya, Singapore, Sabah, and Sarawak formed the Federation of Malaysia, the airline's name was changed, from "Malayan Airways" to "Malaysian Airways". In 1966, Singapore got separated from the federation and the airline's name was changed to Malaysia-Singapore airlines (MSA).

In 1972, Singapore wanted to develop its international routes and in 1972, from MSA, Singapore Airline (SIA) was born. SIA expanded almost overnight after the split from MSA in 1972, adding cities in the Indian subcontinent and Asia. In 1980s, SIA expanded its services to United States, Canada, and European cities. In 2003 SIA obtained 5 long range Airbus A340-500 aircraft and started the two longest nonstop flights in aviation history, Singapore – Newark and Singapore – Los Angeles. Today Singapore Airlines is the world's 2nd largest operator of the type after Emirates of the UAE. SIA employs the A380 on routes to London, Zurich, Frankfurt, Paris, Sydney, Melbourne, Los Angeles and New York. In 2013, Singapore airlines announced a formation of joint venture with TATA SIA airlines along with Tata Sons. The airline will be based out of New Delhi, India, and has started its operations in 2014. The airline has ordered up to 20 Airbus A320s and will compete with full service carriers, such as, Air India and Jet Airways (http://en.wikipedia.org/wiki/Singapore_Airlines).

The Issues and Concerns Faced by SIA

<http://royluowei.wordpress.com/s-w-o-t/>, <http://businesscasestudies.co.uk/singapore-airlines/developing-a-competitive-edge/swot-analysis.html#axzz33BKeu9GJ>)

Singapore Airline is a well-known airline in the world and it is one of the main East Asian airlines with flights practically across most of the well-known places of Asia like Hong Kong, Japan, Malaysia, Thailand and China. The most significant strength of SIA is the strong support from the Singapore Government and its durable Hub in Singapore. It has a large satisfied Customer Base, as one of the top airline brands in terms of market capitalisation and number of passengers carried. It is well-known for its top and excellent service and supreme customer service and hospitality. Over 60 destinations in nearly 35 countries across the 6 regions (including two longest non-stop commercial flights) make it a desired airline.

In terms of innovation to remain at the top for the customer service excellence, SIA has been an exemplary company. It is the first airline to provide hot and alcoholic meal to customers (<http://royluowei.wordpress.com/s-w-o-t/>). SIA was the first to introduce Dolby surround sound and personal video screens and fax services in the air. The SIA also introduced an entertainment system called the "WISEMEN", which was available for the first class and the business class. The specialty of this entertainment system was that it functioned like a personal home theatre and featured a range of movies and other entertainment options, which passengers individually could choose and control. The economy class passengers also felt the differences in SIA, as the seats were wider than average with spacious leg room, leg rests, video screens, and its ergonomic headrests. The First Class Cabin became a benchmark for the industry with arm-chair seats converted into comfortable beds with switches. On long trips the bed linens in the first-class were changed by the cabin-crew. All the service wares were designed by the famous French Fashion house "Givenchy". The SIA wanted to make all its passengers feel special.

Starting from the first class to the economy class (<http://www.scribd.com/doc/13970839/CASE-ANALYSIS-HRM-380-TuA-Singapore-International-Airlines-Preparing-For-Turbulence-Ahead>).

However, like every other major multinational corporation, SIA is also confronted with certain challenges.

The major challenge for SIA in recent times is the economic uncertainty in key markets and intense competition from its low-cost competitors, such as, Air Asia. On a full-year basis, SIA reported a 13 per cent rise in operating profit to S\$259m, on a 1 per cent rise in revenues. However, including exceptional items, such as an impairment charge for four cargo aircraft deemed surplus to the airline's needs, but that had not yet been sold, profit attributable to shareholders fell 5.3 per cent to S\$359m.

SIA is being forced to discount some fares to maintain passenger numbers amid intense competition, and this is eroding yield. For example, recently, VietJetAir, a Vietnamese low-cost carrier, launched a route between Singapore and Ho Chi Minh City. Competition is getting more intense on longer-haul routes within Asia from AirAsiaX, a no-frills long-haul subsidiary of AirAsia. The carrier recently started flying routes from Bangkok to Seoul, Tokyo and Osaka.

SIA's 40 per cent stake in Tigerair also has become a burden on the company. Tigerair is recorded with operating loss and it acts as a drag on group business. Tigerair recently cancelled the remaining nine aircraft scheduled to be delivered from its 2007 order book, and will now not take any further aircraft deliveries until 2018. The investment in Silkair is similarly facing competition from aggressive Gulf carriers such as Emirates (Grant, 2014, <http://royluowei.wordpress.com/s-w-o-t/>, <http://businesscasestudies.co.uk/singapore-airlines/developing-a-competitive-edge/swot-analysis.html#axzz33BKeu9GJ>).

HRM at SIA

HRM at SIA rests on the following five elements:

- Recruitment and selection of people

- Training
- Formation of successful service delivery teams
- Empowerment of front-line staff, and
- Motivation of employees.

These elements are emphasized in successful human resource management, especially in the field of strategic human resource management, and they have been shown to lead to higher company performance (Huselid et al, 1997). Each element has been discussed below.

Recruitment and Selection Process

According to Schneider and Bowen (1995), a company may get the most effective performance from the human resources, if it follows a combination of attracting a diverse and competent applicant pool, utilizing effective techniques for hiring the most appropriate people from that pool, and then training the same people. From the 18,000 applications received annually, only approximately 600–900 new cabin crew are hired by SIA to cover turnover rates of 10%, including both voluntary and directed attrition, and company growth. The recruitment and selection process at SIA is highly demanding. Considering the need to empathize with passengers, and to maintain the cheerful, friendly, and humble culture of SIA, the cabin crew applicants are required to meet several criteria, such as, age, academic qualifications, and physical attributes. Group interviews are conducted to have an overall assessment on language competency. Later, a one-on-one, in-depth interview evaluates whether the applicant possesses SIA's core values and competencies. A psychometric test is also administered.

Apart from the above, a unique uniform test is also conducted to assess the look of the applicant in SIA's *sarong kebaya*. This evaluation includes the posture, gait, and general appearance of the applicant in the uniform. Selected candidates from this round also undertake a water confidence test in SIA's training pool in its flight safety wing,

where applicants jump from a height of three meters. This tests the applicant's confidence level with water, in case they have to aid passengers for an emergency evacuation on water.

The next round of interview is conducted by the senior Vice President and senior cabin crew staff. Lastly, the applicants require attending an informal tea party that gives management a further opportunity to observe applicants' interaction style and appearance.

After the initial training, new crew are put on six months probationary period, while they are carefully monitored through monthly reports from the inflight supervisor. Usually, around 75% are confirmed for an initial five-year contract, some 20% have their probation extended, and the rest leave the company.

Training

Training is generally regularly underlined as a key component in the cycle of success for service firms (Schlesinger & Heskett, 1991). To meet the customers' expectation for its service excellence, SIA essentially conducts two types of training: functional training and general management-type training. Almost half of SIA spending is on functional training and retraining. Training is planned to support internal initiatives such as the Transforming Customer Service (TCS) program, involving staff in the key operational areas. SIA group has seven training schools for the seven core functional areas, such as, cabin crew, flight operations, commercial training, information technology, security, airport services training and engineering.

SIA Management Development Centre (MDC) offers general management training. It also provides executive and leadership programs for all staff with the objective of generating effective managers and visionary leaders. SIA's training programs (about 70% of which are in-house) develop 9,000 people a year. In all the training programs, major emphasis is put on bringing and nurturing the SIA culture and values. In SIA, there is the 40-30-30 rule, which is a holistic approach to people, processes (or procedures) and products. SIA

focuses 40% of the resources on training and invigorating our people, 30% on reviewing processes and procedures, and 30% on creating new product and service ideas. SIA's leadership and relationship management with staff play a key role in the success of its training initiatives. In addition, flight crew are also required to go through 29 months of comprehensive 'on-line training' before being promoted to first officer (SIA Press Release, 2005).

SIA managers often play the role of mentors and coaches to guide new employees, rather than just being managers and superiors. SIA also adopts a job rotation approach to allow management to obtain a more holistic picture of the organization.

Team Building

Effective teams are often a prerequisite to service excellence. In view of this, SIA aims to create "esprit de corps" among its cabin crew. Crews are put together for one to two years and are rostered together for about 60% to 70% of the time. Therefore, they fly together. This helps the new people in adjusting with the team members. The crew members are divided into teams of 13 individuals, where team members are rostered to fly together as much as possible, helping them bonding with each other and understanding each other's personalities and capabilities. The team leader also learns about individuals' strengths and weaknesses and adopts a role as a counsellor and confidant to the crew. There are also "check trainers" who oversee 12 to 13 teams and often fly with them to inspect performance and generate feedback that aids the team's development. Since the interaction within each of the teams is strong, the team leaders have first-hand knowledge about their staff, for the purpose of staff appraisal and promotion. To encourage fellow-feeling and togetherness among the team members, SIA's cabin crew engages in the performing arts circle for talented employees. In 2004, during the biennial cabin crew gala dinner, SIA employees raised over half a million dollars for charity (www.singaporeair.com/saa/app/saa?dynamic=PressReleases/NE_4904.html). There are also gourmet, language, and sports circles.

Employee empowerment

SIA acknowledges the need to empower the employees contribute meaningfully to achieve customer service excellence (Yagil, 2002). For the same purpose, SIA employees are allowed to make decisions independently, while handling customers. At SIA, senior management emphasizes that staff must have a clear concept of the boundaries of their authority and that it is the responsibility of management to communicate and explain the empowerment limits. Empowerment of the front line is especially important during service recovery processes and in situations where customer have special needs. For example, the usual baggage allowance is 20 kg but frontline staff at SIA is empowered to raise it to 25 or 50 kg if they feel that it is right and justifiable (Heracleous et al, 2009).

Reward and Recognition

SIA offers about average pay by Singaporean standards, which is low by global standards. Occasionally, there have been disputes between SIA group management and the labor unions. In 2007, the airline was in the spotlight again when the Air Line Pilots' Association Singapore (ALPA-S) disagreed with the management's proposed salary rate for pilots flying the Airbus A380, and the case had to be settled by the Industrial Arbitration Court. SIA employs various forms of reward and recognition to motivate the employees. Such initiatives include interesting job content, performance-based share options, and a significant percentage of variable pay components linked to individual staff contributions and company's financial performance. SIA employees have low base salaries, and employees bonuses of up to 50% of their annual base salary, a formula that is hardwired and depends on SIA's profitability.

SIA has received accolades, such as, "best airline," "best cabin crew service," and "Asia's most admired company". All these acted as the sources of motivation. The company also holds companywide meetings to keep staff updated about latest developments and circulates newsletters.

Communication also aids in recognizing service excellence. Staff going the extra mile receive recognition through such honors as the annual Deputy Chairman's Award.

SIA's reward and evaluation system is highly aligned with the desired behaviors. The key element is "on-board assessment," which encompasses image (grooming and uniform turnout), service orientation (crew's interaction and passenger handling capabilities), product knowledge and job skills, safety and security knowledge, adherence to procedures, work relationship (team working spirit), and, for the crew member in charge, additional factors such as, people management skills and pre-flight briefing session.

Conclusion

In conclusion one can say that any company which defines its presence on a global plain needs to develop practices which are truly world class in nature. Singapore Airlines is definitely in the big league and has transformed itself into a world class company with the aim of providing customers the best service. This is reflected in not only their products or services, but also in their policies towards employees and the HR policies in particular. Happy employees serve customers better, because they are more engaged. This is evident in this company. The company is reinventing the wheel each time with innovativeness to overcome fresh challenges it faces due to tough competition. Truly, this is a hallmark of an enduring business entity which would survive the challenges and come out as a sustainable organization capable of withstanding the test of time.

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