FLYING HIGH IN A COMPETITIVE INDUSTRY

Cost-effective service excellence at Singapore Airlines

Loizos Heracleous  Jochen Wirtz  Nitin Pangarkar
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Praise for the book

This book is unique since it covers different areas such as innovation processes, service quality control, human resource management and strategy in action which together contribute to exceptional performance. To learn from excellent business results you need to understand the game behind the success, the roles of the game, the strategies and tactics chosen. The authors’ findings from studying Singapore Airlines are presented in an inspiring and pedagogic way. The book should be read by all managers and leaders in service organizations with an interest in understanding the prerequisites for cost-effective service excellence.

Professor Bo Edvardsson, Director, Service Research Center - CTF; and editor of the International Journal of Service Industry Management

How is it possible that Singapore Airlines (SIA) is very successful in pursuing seemingly incompatible strategies? On the one hand, the company is a quality leader; on the other hand, it is able to produce its excellent services so efficiently that it is highly profitable. Loizos Heracleous, Jochen Wirtz and Nitin Pangarkar answer this intriguing question in a very impressive way. Their book is much more than just a best-practice description. It convinces through an excellent and systematic diagnostic analysis. The essential and self-reinforcing components of a ‘cost-effective service excellence’ are identified precisely. Besides, it is pointed out exactly which general lessons can be learned from SIA. The authors don’t give quick ‘how to’ recommendations. Instead, they succeed in brilliantly showing which questions need to be answered for a company to be successful in tough markets. This book is a ‘must’ for all ambitious managers who want to compare themselves with the best.

Professor Bernd Stauss, Chair of Services Management, Ingolstadt School of Management, Germany
Since 1990 I have flown more than one million miles on Singapore Airlines. The quality of service is consistently outstanding. Where else can you find such warm, professional, and responsive service in a brutally challenging industry? Singapore Airlines knows the secrets to delivering spectacular service and superior profits. Finally, this book reveals the inside secrets of ‘cost-effective service excellence’. Great reading, great service!

_Ron Kaufman, bestselling author, UP Your Service!®_

There is probably no disputing the statement that the Singapore Airlines brand name is associated primarily with service excellence and a deep customer focus. In telling the Singapore Airlines story, this book goes under the surface to give the reader insights into how and why the company uses service excellence as a strategic lever, and more importantly how they execute this strategy at various customer touch points. While the story is told from the Singapore Airlines perspective, its lessons and intriguing insights ring loud for any service provider in any industry vertical.

_Professor Dilip Soman, Corus Professor of Strategy and Professor of Marketing, Rotman School of Management, University of Toronto_

Very refreshing … A strategic, analytical and yet pragmatic insight into how a world-class service organization translates a complex multi-faceted strategy into a clear, effective success story. A must read for senior management and entrepreneurs.

_Nolan H.B. Tan, Chief Executive, Service Quality (SQ) Centre, Singapore_
Managers who so far have kept a black bottom line through productivity gains experience that this route is running out on date. Being able to learn how Singapore Airlines managed to make healthy profits year in and out despite hyper-competition will be a welcoming reading. In this book, Heracleous, Wirtz and Pangarkar document and describe the five pillars of Singapore’s service delivery system which offers unique value to its customers. It is my prediction that managers capable of developing a core competence of cost-effective service excellence and the cultural values to support it will be the winners in the new decade. While the recipe is simple its execution is hard. This book will provide you with a jumpstart in the race.

**Tor W. Andreassen, Professor of Marketing, Norwegian School of Management**

This book delivers an independent and detailed assessment of one of the world’s best service organizations. Using a blend of theory and practice the authors provide a deep insight into the reasons for the success of SIA. The questions at the end of the chapters challenge the readers to apply the learning in their own organizations.

**Professor Robert Johnston, Warwick Business School**

This is a thoughtful book describing and analyzing the success story of a corporate icon in Singapore. It reveals a spectrum of hidden business practices that cause travellers to feel so good that they have chosen to fly with SIA. And it is also a treasure chest of trade secrets of how to build a great company. What an exciting read! I recommend it to all high-flying executives.

**Dr Tan Tay Keong, Executive Director, Singapore International Foundation**
In their lucid and insightful account of what makes Singapore Airlines such a distinctive company, Heracleous, Wirtz and Pangarkar offer a salutory reminder that there are no such things as industries that are ‘good’ or ‘bad’ or economic sectors that are ‘old’ or ‘new’. At best such characterizations are oversimplifications of the basic economic structures of an industry. In contrast, the story of Singapore Airlines adds further proof to the thesis that what ultimately matters is whether companies can marshall their resources effectively and efficiently to create value for their shareholders, their customers and their employees. The ‘non-secret’ of success: A clear strategy realized through seamless execution. As a former management consultant and management practitioner in a ‘very old economy’ sector, I commend this practical, no-nonsense book.

Stavros Yiannouka, Vice-Dean, Lee Kuan Yew School of Public Policy and former senior consultant with McKinsey & Company

In the rough and tumble world of cutthroat airline competition, one company stands out as the undisputed global leader in almost every measurable category of performance year after year. That company is Singapore Airlines and this exceptional book tells you the story of exactly how they do it. The last chapter, summarizing strategic insights and lessons learned, is both an invaluable guide to managers seeking to benchmark the ‘best of the best’, as well as a major contribution to thinking about business strategy, execution and performance excellence.

Robert J. Marshak, Ph.D., Adjunct Professor-in-Residence, American University, Washington, D C, USA; and Associate Editor of the Journal of Applied Behavioral Science
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Preface

This book aims to answer a simple but intriguing question: How has Singapore Airlines (SIA) managed to make healthy profits year in year out, in an industry whose performance over the years has been dismal? SIA's profitability has been exceptional, superior in the long term to that of the competitors in its peer group. By answering this question, through our in-depth research on the airline industry and SIA, we derive some general lessons for managers in other industries.

We begin the book with an analysis of the airline industry and its key trends, moving on to a broad outline of SIA’s strategic drivers of success. We then focus on specific elements of
SIA’s strategy and organization, such as its core competency of cost-effective service excellence, its innovation capabilities and its human resource management practices. We end with some strategic lessons that we believe apply to any organization that aims to achieve sustainable success in hyper-competitive markets.

Chapter 1 analyses the airline industry as a whole, reviewing its historical development, important trends over time and key aspects of the industry’s economics. Issues discussed include the impact of government intervention; uncontrollable factors such as oil prices and political events; factors such as the perishability of seats, seasonality of demand, and long time horizons in infrastructural decisions that inject additional levels of complexity; airlines’ fixed and variable direct operating costs and their indirect operating costs; and lastly the chronically poor and volatile performance of the whole industry. Key trends in the industry, such as the formation of alliances and the emergence of budget carriers, are examined. Lastly, strategic imperatives for airlines are considered, such as adopting cutting-edge technology, controlling costs and raising productivity, managing alliances effectively, avoiding the herd instinct, and overcoming commoditization.

Chapter 2 then focuses on SIA itself, looking at its important strategic choices and resource deployment decisions, in order to get a broad understanding of the company’s superior performance. Factors discussed include its young fleet, low staff costs, global revenue base, striving for efficiency, brand reputation, response to crises, and alliance and acquisition strategies. In addition to their significant individual impacts on SIA’s performance, these factors also interact with one another,
thus enhancing the magnitude of their impacts. A key conclusion drawn from this analysis is that SIA’s superior performance is attributable to a complex array of strategic decisions which have been highly consistent over time.

Chapter 3 addresses what we believe is SIA’s core competence: cost-effective service excellence. It is relatively easy to deliver excellent service if one pours money into doing so. What is much harder to do is to deliver service excellence in an efficient manner, in other words implementing a strategy that integrates differentiation and cost leadership. How has SIA managed to achieve this? In common with other organizations with a reputation for service excellence, SIA displays characteristics such as top management commitment, customer-focused staff and systems, and a customer-oriented culture. However, our research has provided further insights into how SIA develops and maintains a reputation for service excellence, which its achieves through what we call the ‘five pillars’ of SIA’s activity system. These pillars are rigorous service design and development, total innovation, profit and cost consciousness ingrained in all employees, holistic staff development, and reaping of strategic synergies through related diversification and world-class infrastructure. These five pillars of SIA’s cost-effective service excellence are supported, operationalized, and made real to everyday decisions and actions through a self-reinforcing activity system of virtuous circles, presented in the chapter. The core competence of cost-effective service excellence, and the cultural values supporting it, are ingrained into both the hearts and minds of employees as well as into organizational processes. This may help explain why SIA’s competitive advantage has been
sustained for decades. While it is easy to copy single elements, it is much harder to reproduce an entire, self-reinforcing, activity system.

The chapter proceeds to discuss SIA’s investments in biometrics, further illustrating the two pillars of rigorous service design and development as well as total innovation. SIA has started to employ biometric technologies to enhance the customer experience while at the same time raising security and efficiency. We suggest that sustaining competitive advantage through the strategic use of technology involves developing innovations that have a significant positive impact on the customer experience and also entails significant business process redesign to make the processes difficult to imitate.

Chapter 4 continues the theme of service excellence with a focus on innovation. It sheds light on SIA’s ability to be a serial innovator, introducing many firsts in the airline industry and sustaining this innovative orientation over decades in the face of intense cost pressures, industry crises and the push towards commoditization. We first present senior management’s perspective of the key challenges they face in delivering sustained and cost-effective service excellence. These challenges include, firstly, how to consistently satisfy the sky-high and rising expectations of customers; secondly, how to deal effectively with the tension arising from offering uniform service that is at the same time personalized; and, thirdly, how to approach a large number of services in a holistic manner to attain consistent excellence in all related processes and subprocesses.

The chapter proceeds to address SIA’s innovation process, characterized by the seamless combination of hard, structured
and rigorous innovation that is centralized with soft, emergent and continuous innovation that is undertaken by different functional departments. This competence is further enhanced through an integrated customer and front-line staff feedback system that provides valuable insights on innovation.

Chapter 5 then addresses SIA’s human resource management processes, a crucial aspect of any service business, where people, especially front-line staff, are a core part of the offering and the most visible element of the service. The chapter analyzes the five elements forming SIA’s human resource management and how each of these elements reinforces its service excellence strategy. The five elements are stringent selection and hiring of people, extensive training and retraining, formation of successful service delivery teams, empowerment of the front line, and staff motivation. Even though these service elements are simple to state, very few firms have been able to implement systems that deliver the desired results.

The reason we undertook this study was to gain a deeper understanding of the factors that can help a company achieve sustainable success in extremely tough industries, based on a detailed study of the strategy and the organizational features of a company that has achieved just that. Chapter 6 presents some lessons from our research into SIA, which we believe apply to any company that aims to achieve sustainable competitive advantage, the holy grail of strategy. We do not aim to provide the answers but rather to suggest useful strategic principles and to help executives ask the right questions. The chapter begins by reminding us why it is so hard to be successful in the airline industry. We then proceed with strategic lessons, which relate
to the need to be clear about the company’s generic strategy (or a combination of generic strategies); the need to achieve high levels of strategic alignment among strategy, capabilities, organization and market demands; the importance of nurturing and investing in capabilities and core competencies that support the strategy; and finally the need to understand and foster strategic innovation. We then examine SIA’s institutional context and suggest that, even though SIA has definitely gained from being located in a supportive institutional context, this is far from a comprehensive explanation of its success. Its success can ultimately be traced to robust strategies, seamless execution, and continuous vigilance and realignment.

Our research started in 2001 to examine SIA’s strategy and competitiveness over the years, in particular its competencies of service excellence, efficiency and innovation. We have conducted both primary and secondary data gathering on these themes. In addition to researching library and database resources on the airline industry and on SIA, we have up to the time of writing this book, conducted a total of 16 in-depth interviews with a view to gaining a deeper appreciation of how SIA has managed to achieve sustainable competitive advantage and outperform all other airlines in its peer group for decades.

We are grateful to all the people at SIA who kindly allowed us to interview them to gain a deeper understanding of what makes SIA tick. They include, in alphabetical order, Mr Choo Poh Leong, Mr Timothy Chua, Dr Goh Ban Eng, Ms Lam Seet Mui, Ms Lim Suu Kuan, Mr Sim Kay Wee, Mr Toh Giam Ming, Ms Betty Wong, Mr Yap Kim Wah and Dr Yeoh Teng Kwong. We would also like to thank Ms Karen Liaw and Ms Roshini
Prakash of SIA’s public affairs office, who were instrumental in helping us arrange the interviews at SIA. We are thankful to the people at the Civil Aviation Authority of Singapore who gave us insights into the development of the biometrics project, in particular Mr Poh Young Peng and Mr Wang Pei Chong. Furthermore, we are indebted to Professor Robert Johnston at Warwick Business School, who has collaborated with us on a number of research projects involving SIA, and to Professor Christopher Lovelock at Yale University who has collaborated with Jochen on a number of services marketing books that provided the conceptual underpinning of Chapter 5. We thank our research assistants Arnab Banerjee, Patricia Chew, Nikhil Kochhar, Lou Seng Lee, Canice Liu, Ravi Prakash, Ritesh Toshniwal and Dai Ziyun for helping with data gathering and preparation of figures. We thank our publisher, McGraw-Hill, in particular Ms Pauline Chua. Lastly, we express our gratitude to our families for putting up with the countless hours we spent in front of the computer working on this book.
The Authors

As a team, Loizos Heracleous, Jochen Wirtz and Nitin Pangarkar, possess a unique blend of skills and experience that is ideally suited to writing a definite, illustrative and engaging book on cost-effective service excellence set in a highly competitive industry.

Loizos Heracleous is an Official Fellow of Templeton College, Oxford University, specializing in strategy and organization. He lived and worked in Asia for eight years, in his previous post as associ-

In addition to Cyprus where he was born, Loizos has lived and worked in the UK, Ireland, Hong Kong and Singapore; and travelled extensively around the world. He has developed and conducted several executive development programmes in areas such as strategic thinking and planning, corporate governance, corporate social responsibility, diagnosing and managing organizational culture, managing transformational change, and organizing for the future. He trained company directors in Singapore on corporate governance on behalf of the Singapore Institute of Directors from 1999–2004. He has also trained executives and advised several organizations in areas related to strategy, organization and leadership. Loizos has been listed in the Marquis Who’s Who in the World since 2003.
Jochen Wirtz is one of the leading authorities in services marketing in Asia. He is an Associate Professor of Marketing at the National University of Singapore, where he teaches services marketing in MBA and executive programmes. He is also the co-director of the UCLA–NUS Executive MBA Programme, NUS's dual degree programme with UCLA.

Dr Wirtz's recent book Services Marketing - People, Technology, Strategy (2004), co-authored with Professor Christopher Lovelock, is one of the top two services marketing textbooks globally, and his co-authored book Services Marketing in Asia–People (2005) has become the leading services marketing text in Asia. His research focuses on service management and he has published some 50 academic articles in, among others, Harvard Business Review, Journal of Business Research, Journal of Consumer Psychology, Journal of Retailing, Journal of the Academy of Marketing Science, Journal of Services Marketing, Journal of Service Research, Managing Service Quality and Psychology and Marketing. He has also published over 70 conference papers, 8 books and more than 40 book chapters. Dr Wirtz is on the editorial boards of seven journals, and has received a dozen research and teaching awards, including the Emerald Literati Club 2003 Award for Excellence for the most outstanding paper of the year in the International Journal of Service Industry Management, and the prestigious university-wide Outstanding Educator Award at the National University of Singapore. Dr Wirtz is also active as a management consultant, working with both international consulting firms including Accenture,
Arthur D. Little and KPMG, and major service companies in the areas of strategy, business development and service management across Asia.

Dr Wirtz received his Ph.D. in services marketing from the London Business School, and holds a BA (Hons) in marketing and accounting and a professional certification in banking from Germany. Originally from Germany, Dr Wirtz moved to Asia in 1992 after studying and working in London for seven years.

Nitin Pangarkar is Associate Professor of Business Policy at the NUS Business School. Previously, he held academic positions at the University of Minnesota (USA) and the Helsinki School of Economics (Finland). His research interests lie in the areas of strategic management and international business – specifically cross-border strategic alliances and global strategy. Dr Pangarkar’s research has been presented in several international conferences around the world and published in the form of more than 30 international journal articles, conference proceedings, cases and book chapters. He is a member of several professional organizations and serves as the secretary of the Asia Academy of Management, the leading regional association for management scholars in Asia. He also serves on the editorial boards of two international journals.

Dr Pangarkar is a co-author of Business Strategy in Asia: A casebook (2001 and 2004). The book has been translated into Mandarin and the cumulative sales of the book has exceeded 14,000 copies. Dr Pangarkar’s teaching and case materials have
been used in many universities around the world including MIT, the Chinese University of Hong Kong, Macquarie University, the University of Western Australia, Copenhagen Business School and Nanyang Technological University. He has taught in several executive development programmes at NUS and has also been an invited speaker for several managerial conferences. He has been quoted in reputed newspapers and publications including the International Herald Tribune, The Edge (Malaysia), Today (Singapore) and the Economics Times (India). He is a recipient of several awards including the Outstanding Educator Award and the Outstanding Service Award from the NUS Business School and the Excellent Teacher Award from the National University of Singapore. Dr Pangarkar has also served as a strategy consultant to many organizations including Bekaert (Belgium/China) and IE Singapore, among others.
Behind most of today’s successful service organizations stands a firm commitment to effective management of human resources, including recruitment, selection, training, motivation and retention of employees.¹ Leading service firms are often characterized by a distinctive culture, strong service leadership and role modelling by top management. It is probably harder for competitors to duplicate
high-performance human assets than any other corporate resource. In addition, service staff can be crucially important for a firm’s competitive positioning because of the characteristics of the front line:

- **It is a core part of the product.** As soon as front-line staff are involved in a service process, they tend to be the most visible element of the service, as they are the people delivering the service and hence significantly determining service quality. In the case of SIA, its front-line staff – the Singapore Girls – have become synonymous with SIA and the personification of quality service. They are one of the airline industry’s most instantly recognizable figures, giving SIA a key competitive advantage as no other airline has managed to ‘brand’ and promote its cabin crew as successfully.

- **It is the service firm.** Front-line staff represent the service firm and, from a customer’s perspective, is the firm. Front-line staff at SIA are empowered to make appropriate decisions to customize service delivery and take corrective actions instantaneously during service recovery.

- **It is the brand.** Front-line staff and service are often a core part of the brand. It is the staff who determine whether the brand promise gets delivered or not. Understanding that, SIA places heavy emphasis on all aspects of the selection, training and motivation of its staff in general, and its front line in particular.
In this chapter, we will focus on the people side of SIA’s sustained service excellence. Specifically, we will discuss the following:

- The five key elements behind SIA’s effective human resource management strategy and how each of the five elements reinforces SIA’s service excellence strategy.
- The problems posed by strained industrial relations in SIA and the challenges it faces in restoring relations. The challenges mostly result from recent crises in the aviation industry (the 11 September terror attacks and SARS) and the recent entry of a number of budget carriers into Asia.

**The Five Key Elements of SIA’s Human Resource Management Strategy**

From the interviews with SIA’s senior management, we deduce that there are five interrelated and mutually supportive elements behind SIA’s effective human resource management strategy. Together with the leadership and role modelling of its top management, these five elements are an important part of the explanation of how SIA has managed to consistently deliver cost-effective service excellence for over three decades through the effective and strategic management of one of its greatest assets – which is its human resources.

As shown in Figure 5–1, these five elements are stringent selection and recruitment of people, extensive training and retraining of employees, 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. However, many service firms have not been able to implement them successfully. Now let us take a closer look at how the five elements work and complement each other at SIA.

**Figure 5-1**
The five elements behind SIA’s effective human resource management strategy

1. **Stringent selection and recruitment processes**

   As Jim Collins said, “The old adage ‘People are the most important asset’ is wrong. The right people are your most
important asset.” We would like to add to this: “… and the wrong people are a liability.” Getting it right starts with hiring the right people. To support its service excellence strategy, SIA adopts a rigorous system and process for staff selection and recruitment.

Cabin crew applicants, who must be under 26 years of age, are initially assessed on both academic qualifications and physical attributes. If they meet the baseline requirements for these qualities, they then go through an extensive recruitment process that involves three rounds of interviews, a uniform check, a water confidence test, a psychometric test and a tea party. Out of 16,000 applications received annually, around 500 to 600 new cabin crew members are hired to cover turnover rates of around 10%, which include both voluntary and directed attrition. When new cabin crew staff start flying, they are carefully monitored for the first six months through a monthly report by the inflight supervisor. At the end of the probationary period, around 75% of them are confirmed for an initial five-year contract, around 20% have their probation extended, and around 5% leave.

Because of the special social status and glamour associated with SIA’s cabin crew (see Figure 5–2), many educated young women and men from all over Asia apply every year to join the ranks of SIA. And because of SIA’s reputation as a service leader in the airline industry and as a company that develops its staff in an extensive and holistic manner, it can have its pick of talented young people. Many job seekers in Asia, especially school leavers and university graduates, see SIA as a desirable company to work for, often opening the door to more lucrative jobs in other companies.
What does SIA look for in applicants? According to Choo Poh Leong, Senior Manager (Crew Services), SIA looks for cabin crew applicants “who have that empathy with people. We try to see whether the person is cheerful, friendly, humble, because we
don’t want the person to fly and then take on a passenger and give him or her a bad time on board the plane.” Shortlisted applicants go through various rounds of interviews. The first one is a group interview where the interviewers assess the applicants’ overall looks and personality and their command of English. Typically, applicants are asked to introduce themselves and talk about themselves, and then to read a passage for the interviewers to assess their standard of English. This interview is not in-depth. If successful in the initial round, the applicant moves on to a one-on-one interview during which the interviewer will ask in-depth questions to assess whether the applicant has the core values and competencies SIA desires in its cabin crew. Successful applicants from this second round, then go through a psychometric test, which is conducted to confirm the results of the earlier interviews.

Following that, the applicants proceed to what SIA calls a uniform check, when they will put on the sarong kebaya, SIA’s uniform for female cabin crew. At this stage, the mostly female interviewers will assess how an applicant looks in the sarong kebaya in terms of posture, gait and general looks. Successful candidates will then go through a water confidence test at SIA’s training pool in its flight safety wing. Applicants, wearing a life jacket, are required to jump from a height of three metres into the pool. Because successful applicants will later, as part of their training, have to learn how to help passengers during an emergency evacuation on water, they cannot have a fear of water or heights.

The next interview is what SIA calls the management round. Here, the senior vice president (Cabin Crew) and one of the
senior staff of cabin crew services interview all the applicants who have been shortlisted after the earlier rounds. This two-on-one interview is again in-depth in order to ensure that the right applicants are picked. After this round, the final assessment is made. The last step after this assessment is a tea party for the successful applicants. According to Mr Choo, “We mix with them, we talk to them, to reconfirm for us. In case in the two-to-one round we have certain doubts about you, we’d like to see you in a different setting; or we may have made certain judgement on you, we’d like to reconfirm in that management tea party round. So once you get through that, then you are selected.”

This rigorous selection process ensures with reasonable certainty that SIA hires the cabin crew it desires and eliminates less suitable candidates. The result is that only some 3% to 4% of the applicants are hired.

**Extensive investment in training and retraining**

When a firm has good people in the first place, investment in training and retraining can then yield outstanding results. Service champions show a strong commitment to training in terms of resources and action. As Schneider and Bowen put it, “The 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 heck out of them would be gangbusters in any market.”

Our interviews with SIA’s senior management clearly reveal that the airline places considerable emphasis on training, so much
so that training is one of its focal points in its human resource and service excellence strategy. According to Ms Lam Seet Mui, Senior Manager for Human Resource Development, “SIA invests huge amounts of money in infrastructure and technology, but, ultimately, you need people to drive it. At SIA, we believe that people actually do make a difference, so the company has in place a very comprehensive and holistic approach to developing our human resources. Essentially, we do two types of training, namely functional training and general management-type training.”

Although training is regularly highlighted as a key component in the cycle of success for service firms, no other airline appears to put as much emphasis as SIA on the training of its front-line staff. For example, a newly recruited batch of cabin crew are required to go through an intensive four-month training course which is considered to be the longest and most comprehensive in the airline industry. In addition, flight crew are also required to go through 29 months of comprehensive ‘on-line training’ before being promoted to first officer (Figure 5–3).

The aim of SIA’s training is to provide gracious service reflecting warmth and friendliness while maintaining an image of authority and confidence in the passengers’ minds. Each month, thousands of prospective cabin crew employees apply for the airline’s rigorous and holistic course that encompasses not only safety and functional training but also beauty tips, gourmet food and fine wine appreciation, and the art of conversation. According to Mr Choo, “During the four months’ training, they go through various courses. Typically, they have
to go through modules like the SIA Way, where they are taught what is expected from them in SIA, passenger handling skills, food and beverage skills, service attributes and grooming. We pay a lot of attention to grooming and deportment. They also attend various safety training courses, which are conducted by our flight safety department. They cover first aid, safety equipment and procedures, evacuation procedures, and handling of unruly passengers. So it’s quite a comprehensive training course. When they pass the course, then they can fly. They are put on probation for six months. But training doesn’t stop after
that; there’s continuous training. So even crew members who are flying have to come back for further training.”

Because of its reputation for service excellence, SIA’s customers tend to have very high expectations and can be very demanding, which can put considerable pressure on its frontline staff. According to Ms Lim Suu Kuan, Commercial Training Manager, the motto of SIA is this: If SIA can’t do it for you, no other airline can. The challenge is to help the staff deal with difficult situations and take the brickbats. The company helps its staff deal with the emotional turmoil of having to satisfy and even please very demanding customers without feeling that they are being taken advantage of.

According to former CEO Dr Cheong Choong Kong, “To the company, training is forever and no one is too young to be trained, nor too old.” Yap Kim Wah, Senior Vice President (Product and Service) adds, “We believe that there is no moment, regardless of how senior a staff is, when you cannot learn something. So all of us, senior vice presidents included, are sent for training regularly. We all have a training path. You can always pick up something. If you have completed quite a number of programmes, then you go for sabbatical. You go and learn a language, do something new and refresh yourself.” Such continuous training and retraining has been vital to SIA in sustaining service excellence; it helps staff to have an open mindset, to accept change and development, and to deliver the new services that SIA introduces regularly (Figure 5–4).

There are seven training schools in the SIA Group dedicated to delivering training in each of the seven core functional areas: cabin crew, flight operations, commercial training, information
Figure 5–4
Delivering warm, friendly and competent service: The result of extensive training that equips front-line staff with the required skills and attitude

Courtesy of Singapore Airlines.
technology, security, airport services training, and engineering. General management training is offered by the SIA Management Development Centre (MDC), which is under the purview of the human resources division. It provides executive and leadership programmes for staff from all sections of the company with the aim of generating effective administrators as well as visionary managers. This training is centralized so that the engineers get to meet the computer experts and the marketing people and so on. This purposeful mixing of its staff enhances mutual understanding and inculcates a more integrated and holistic view (and way of management) by all divisions. MDC’s programmes are divided into three broad areas: (1) management development programmes focusing on the changing priorities and skills required at various levels of the managerial hierarchy; (2) management skills development programmes which are functional or skills related, ranging from the art of negotiation to the learning of other cultures; (3) self-development programmes in areas such as social etiquette.

SIA trains about 9,000 people a year and is well known for its dynamic and committed approach to training. According to Ms Lam, “About 70% of SIA’s courses are done in-house, and one of SIA’s recent service excellence initiative, called Transforming Customer Service (TCS), involves staff in five key operational areas: cabin crew, engineering, ground services, flight operations, and sales support. To ensure that the TCS culture is promoted company-wide, it is also embedded into all management training. MDC has put together a two-day management training programme entitled TCS Operational Areas Strategy Implementing Synergy (OASIS). The
programme also aims at building team spirit among our staff in key operational areas so that together we will make the whole journey as pleasant and seamless as possible for our passengers. One has to realize that it is not just the ticketing or reservations people and the cabin crew who come into contact with our passengers. The pilots, station managers and station engineers have a role in customer service as well, because from time to time they do come into contact with passengers. But TCS is not just about people. In TCS, 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.” The focus is thus on the totality rather than just one aspect of customer service, and this enables the airline to deliver a service that is excellent in all aspects.

One of the main forces behind the success of SIA’s training and retraining programmes is its leadership, as well as the relationship management builds with staff. As Timothy Chua, Project Manager (New Service Development) puts it, “I see myself first as a coach and second as a team player.” Instead of positioning themselves as managers or superiors, SIA’s management often view themselves as mentors and coaches, guiding and imparting knowledge and experience to new recruits and new department members.

To ensure that its management understands the big picture, SIA trains all management staff through job rotation. Managers are rotated to other departments every few years. This strategy produces a number of benefits. It allows managers to acquire
an understanding of the workings of more sections of the organization than they would otherwise. It also promotes a corporate outlook, reduces interdepartmental disputes, and creates an appetite for change and innovation as people constantly bring fresh perspectives and new ideas to their new positions.

**Building high-performance service delivery teams**

The nature of many types of services requires people to work in teams, often across functions, in order to deliver seamless customer service. Effective teams facilitate communication and knowledge sharing among team members, thus enabling the members to understand and learn from each other.

In view of the importance of teamwork in the delivery of service excellence, SIA endeavours to create esprit de corps among its cabin crew. Its approach to developing teamwork among its diverse group of cabin crew staff is the team concept, which involves dividing the 6,600 crew members into small units with a team leader in charge of about 13 people. Members of the team are rostered to fly together as much as possible. Flying together as a unit allows them to build camaraderie and get to know each other. The team leader also gets to know each member’s strengths and weaknesses well and becomes their mentor and counsel, someone to whom they can turn to if they need help or advice. In addition, there are ‘check trainers’ who oversee 12 or 13 teams and fly with them whenever possible, not only to inspect their performance but also to help the teams develop.
According to Sim Kay Wee, Senior Vice President (Cabin Crew), “The interaction within each of the teams is very strong. As a result, when team leaders do staff appraisal, they really know the staff. You would be amazed how meticulous and detailed each staff record is, even though there are 6,600 of them. We can pinpoint any staff’s strengths and weaknesses easily. So, in this way, we have good control; and through this, we can ensure that the crew delivers the promise. If there are problems, we will know about them and we can send them for retraining. Those who are good will be selected for promotion.”

According to Toh Giam Ming, Senior Manager (Crew Performance), “What is good about the team concept is that, despite the huge number of crew members, people can relate to a team and have a sense of belonging: ‘This is my team.’ They are put together for one to two years and are rostered together for about 60% to 70% of the time, so they do fly together quite a fair bit. So, especially for the new people, I think they find that they have less problem adjusting to the flying career, no matter what their background is. Because once you get familiar with the team, there is support and guidance on how to do things.” Mr Choo adds, “The individual, you see, is not a digit or a staff number. If you don’t have team flying, with 6,000-odd people it can be difficult for you to really know a particular person.”

SIA also has a lot of seemingly unrelated activities in the cabin crew division. For example, there is the performing arts circle made up of talented employees with an interest in the arts. During the biennial cabin crew gala dinner in
2004, SIA employees raised over half a million dollars for charity. In addition to the performing arts circle, there are also a gourmet circle, language circles (such as a German and French speaking group) and even sports circles (such as football and tennis teams). The company believes that these activities encourage camaraderie and teamwork (Figure 5–5).

**Figure 5–5**

SIA crew members contributing to charity while fostering team spirit

Courtesy of Singapore Airlines.
Empowerment of front-line staff to control quality

Virtually all outstanding service firms have legendary stories of employees who recovered failed service transactions, walked the extra mile to make a customer’s day, or averted some kind of disaster for a client. Mr Toh shares such a story: “This particular passenger was a wheelchair-bound lady in her eighties, was very ill, suffering from arthritis. She was travelling from Singapore to Brisbane. What happened was that a stewardess found her gasping for air owing to crippling pain. The stewardess used her personal hot-water bottle as a warm compress to relieve the passenger’s pain and knelt to massage the lady’s legs and feet for 45 minutes. By that time, the lady’s feet were actually swollen. The stewardess offered her a new pair of flight support stockings without asking her to pay for them. She basically took care of the old lady throughout the trip, seven to eight hours. When the old lady got back to Brisbane, her son called the hotel in which the crew were staying to try and trace this stewardess to thank her personally. He then followed up with a letter to us. I don’t know if training contributes to it, or if it is personal. I mean, you don’t find people who’d do this purely as a result of training, I think. We find the right people, give them the right support, give them the right training, and with the right support people will do this kind of thing.”

Such thoughtful actions are part of the culture at SIA. According to Mr Choo, the crew members “are very proud to be part of the SIA team, very proud of the tradition and very proud that SIA is held up as a company that gives excellent care to customers. So they want to live up to that.”
Employees have to feel empowered to engage in such discretionary efforts. Employees making decisions on their own have become increasingly important, especially in service firms, because front-line staff frequently have to handle customers on their own, and it tends to be difficult and also unproductive for managers to constantly monitor their actions closely. However, one of the biggest issues many service organizations face when it comes to empowerment is that there is a lot of talk about empowerment but no concrete action. According to SIA’s senior management, staff must have a clear idea of the limits of their authority, and it is the responsibility of management to articulate and make it clear what they mean by empowerment. For example, whereas the usual baggage allowance is 10 kilograms, SIA front-line staff are empowered to raise it to 25, 30 or even 50 kilograms, as long as they feel that it is a right decision. However, such a decision by a front-line staff must be recorded and justified.

According to Mr Yap, as guidelines for implementing empowerment, staff should be given the authority of the people two levels up: “If you are a clerk, you should know what your officer and your senior officer can do. If these two officers are not around, you can make decisions up to the limits of their authority.”

Empowerment of the front line is especially important during service recovery processes. As noted by Timothy Chua, “We strive for instantaneous service recovery. I think that is one of SIA’s biggest differentiators. When something goes wrong, we react quickly; and I believe we generally do it in a very fair way.”
Motivating through rewards and recognition

Once a firm has hired the right people, trained them well, empowered them and organized them in effective service delivery teams, how can it ensure that they will deliver service excellence? Staff performance is a function of ability and motivation. Reward systems are the key to motivation, and service staff must get the message that they will be recognized and rewarded for providing quality service. Motivating and rewarding strong service performers is also one of the most effective ways of retaining them.

Understanding that many service businesses fail because they do not utilize the full range of available rewards effectively, SIA offers various forms of rewards, including interesting and varied job content, symbolic forms of recognition and performance-based share options. It recently introduced equity-linked incentives for staff and linked more variable components of pay to individual staff contribution as well as to the company’s financial performance. Another source of motivation comes in the form of the international accolades for excellence that the airline has received over the years, which include several ‘best airline’, ‘best cabin crew service’ and ‘Asia’s most admired company’ awards.

Additionally, the company makes use of communication to further spur its employees to deliver quality service. Company-wide meetings and briefings are held regularly to keep staff informed of the latest developments. Corporate newsletters and circulars help promote information sharing. Interaction between staff and management is encouraged through regular
staff meetings. As Ms Lim notes, “It’s about communication. For example, if we add a new service at check-in, we will talk to the people involved before, during and after implementation. We will discuss the importance and the value of it, and make sure everyone is aware of what we are doing and why. It helps to give staff pride in what they do.”

Communication is also important in recognizing service excellence. Newsletters are used to share and recognize good service. Staff who go the extra mile are recognized through the annual Deputy Chairman’s Award. Mr Sim stresses the importance of recognition, “We know that a pat on the back, a good ceremony, photographs and write-ups in the newsletters can be more motivating than mere financial rewards, hence we put in a lot of effort to ensure that heros and heroines are recognized for their commitment and dedication.” SIA’s performance management system is quite sophisticated and comprehensive. An outline of the cabin crew assessment system is given in the Appendix at the end of this chapter.

All in all, what makes SIA cabin crew so special that other carriers try to imitate it? Mr Choo says, “Here, there are some intangibles. I think what makes it special is a combination of many things. First, you’ve got to ensure that you find the right people for the job, and after that training matters a great deal: the way you nurture them, the way you monitor them and the way you reward them. The recognition you give need not necessarily be money. I think another very important ingredient is the overall culture of cabin crew, the fact that you have people who really are very proud of the tradition. And I think a lot of our senior people – and it rubs off on the junior crew – take
pride in the fact that they helped build up the airline; they are very proud of it and they want to ensure that it remains that way.” Mr Toh adds, “Among other contributing factors is a deeply ingrained service culture not just among the cabin crew but also in the whole company. I think it goes back to 35 years ago when the airline was set up. A very, very strong service culture throughout the whole organization, very strong commitment from top management. We take every complaint seriously. We respond to every complaint. We try to learn from the feedback; it’s a never-ending process.”

Managing Labour Relations

The cost-cutting measures necessitated by the company’s first ever quarterly loss of S$312 million in the quarter ending July 2003 caused mainly by the SARS outbreak, and the increased competition brought by the entry of a multitude of low-cost carriers across Asia, have created strains within SIA. On 19 June 2003, CEO Chew Choon Seng announced the retrenchment of 414 Singapore-based employees (1.5% of the company’s staff), comprising office staff, airport workers and engineering personnel. The retrenchment exercise was initiated as a last measure in response to the difficult operating environment, following earlier moves towards stringent cost management that included deferring discretionary spending, freezing recruitment, cutting management’s pay by up to 27.5% and introducing compulsory no-pay leave for cabin crew. Mr Chew announced that, “We have always said that we would consider retrenchment as a measure of last resort.
I am sad to say that we are now at that point. It is unfortunate, but there is no alternative if we are to ensure that the company survives this downturn and position ourselves to compete effectively in the marketplace of the future.”

In addition to retrenchments, staff were asked to accept pay cuts and take unpaid leave. What followed was a public debate of labour–management positions in the pages of the local daily Straits Times. A survey of three of the four SIA unions showed lower staff morale and a perceived change in the family atmosphere, for which the carrier was known, to one of accountability in which workers feared losing their jobs. Tension between pilots and the airline escalated after pay cuts were implemented in June 2003, and the situation worsened when the cuts were maintained after SIA posted a profit of S$306 million in the following quarter. Leaders of three unions – the SIA Staff Union, the Singapore Airport Terminal Services Workers Union and the SIA Engineering Company Engineers and Executives Union – were asked to provide feedback on SIA’s labour–management relations. The feedback cited several areas that needed to be addressed. Recognizing the tensions raised by the cost-cutting measures, the airline is trying to restore morale. Managerial and supervisory staff have been advised to be more sensitive to the needs of their staff, and top management has been receiving regular feedback to keep apprised of the situation on the ground.

It will be a challenging balancing act to further raise SIA’s already high labour productivity while at the same time retaining and refining its hitherto highly successful human resource management. The recent difficult conditions caused
by the outbreak of SARS, the intensifying competitive environment for full-service carriers, and the influx of budget carriers have challenged the consistent profitability of the airline. While SIA’s rapid response to the crises was impressive, the stringent cost-cutting measures that were required to cope with these challenges inevitably affected morale and have the potential to undermine the company’s service-oriented culture, despite efforts to assist retrenched staff, such as training programmes and workshops that included courses on managing emotions, financial planning and career guidance.¹⁶

In Conclusion

For over three decades, SIA has managed to achieve what many others in the aviation industry can only dream of: cost-effective service excellence that is reinforced by effective human resource management and a positive company culture and image. In this chapter, we discussed the role of SIA’s leadership and the five key elements constituting SIA’s human resource management strategy (i.e., stringent selection and hiring of people, followed by extensive training and retraining, formation of successful service delivery teams, empowerment of the front line, and motivating staff), which have helped SIA to build and sustain service excellence at levels consistently above the competition over three decades. The recent crises and the emergence of budget carriers require SIA to sustain its focus on achieving cost-effective service excellence and, if necessary, reexamine some aspects of its recipe for success.
Appendix: Cabin Crew Performance Management

1. How is the cabin crew area structured and how does this influence the performance management system?

SIA’s crew is formed into 36 groups known as wards, each headed by a ward leader who monitors the performance of the crew. The ward leader, in turn, reports to a cabin crew executive. Each executive is in charge of six ward leaders and also oversees other aspects of crew administration/management such as communication and welfare.

2. Describe the performance management tool/process that you use to monitor your cabin crew?

The performance of a crew is measured through on-board assessments (OBAs) carried out by a more senior crew member on the same flight. The elements assessed are as follows:

(a) **Image**: grooming and uniform turnout
(b) **Service orientation**: crew’s interaction and passenger handling capabilities
(c) **Product knowledge and job skills**: performance in the various bar and meal services and familiarity with procedures as well as job and product knowledge
(d) **Safety and security**: knowledge of and adherence to safety and security procedures
(e) **Work relationship**: general attitude and teamwork/team spirit
(f) People management skills: supervisory and people management skills, development of junior crew, ability to plan and coordinate the various services
(g) Pre-flight session: effectiveness of the pre-flight briefing

(Sections f and g are only applicable to the crew in-charge.)

3. How frequently is the assessment conducted?

The frequency varies from rank to rank, and performance is tracked over a financial year.

(a) New crew on probation: six OBAs during the six-month probation period, together with a closed assessment that evaluates the crew member’s attitude, interest towards the job and bias or apprehension towards certain passengers
(b) Flight steward/stewardess: minimum four assessments per year
(c) Supervisory crew: three to four times per year
(d) Crew in-charge: twice per year

4. What level of feedback is given to the individual, at the time of assessment and cumulatively (i.e., quarterly, annually, etc.)? How do you manage a good quality of interaction during the feedback rather than just making sure the meeting happens?

The OBA is an open appraisal whereby the appraiser discusses the strengths and weaknesses with the appraisee. The appraisee will review and endorse the OBA. All returned
OBAs are scanned and flagged for the ward leader’s attention if the scores fall outside our predetermined thresholds. If necessary, the ward leader will go on the appraisees’ flight to check the crew out personally. The ward leader can (and often does) call in the crew for a discussion at any time if deemed necessary. Concerted effort is made for the ward leader to fly with each crew in his (or her) charge at least once a year, during which he will review and discuss the records of the crew. In addition, the ward leader is required to carry out an annual assessment of all crew members in his ward before finalizing the annual appraisal score. The annual appraisal is weighted as follows:

<table>
<thead>
<tr>
<th>Element</th>
<th>Weightage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-board assessment</td>
<td>60</td>
</tr>
<tr>
<td>Discipline</td>
<td>15</td>
</tr>
<tr>
<td>Attendance record</td>
<td>10</td>
</tr>
<tr>
<td>Passenger feedback</td>
<td>10</td>
</tr>
<tr>
<td>Ward leader assessment</td>
<td>5</td>
</tr>
</tbody>
</table>

5. What degree of alignment is there between the company values and the areas assessed?

The company’s core values are embedded in the elements assessed in the OBAs, such as service orientation and product knowledge (pursuit of excellence), safety and security (safety), and work relationship and people management (teamwork).
6. How are assessors trained and what level of ongoing training occurs to ensure rater consistency?

All crew members promoted to the supervisory rank have to attend a one-day appraisal workshop where they are taught the basics of assessment and coached on the use of the OBA form. There is also an ongoing process to review all OBAs that have been improperly done and to pick out appraisers who habitually give extreme ratings for follow-up by ward leaders.

NOTES

The conceptual underpinning of this chapter and many of the management theories referred to were taken from Christopher H. Lovelock and Jochen Wirtz, Services Marketing: People, Technology, Strategy, 5th ed., Upper Saddle River, NJ: Prentice Hall, 2004. Much of the material on SIA discussed in this chapter is based on interviews conducted in 2001–2005 with the SIA executives whose names appear in the endnote of Chapter 4.

4 See note 1.


See note 12.

See note 13.
FOR THE FIRST TIME IN HISTORY, 
NON-STOP BETWEEN 
SINGAPORE AND LOS ANGELES.