

CASE
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Singapore Airlines: Managing Human Resources for Cost-effective Service Excellence

Jochen Wirtz and Loizos Heracleous

Singapore Airlines (SIA) has managed and organized its human resources (HR) to achieve sustainable competitive advantage and outperform other airlines in its peer group for decades. The case describes the role of HR in SIA's pursuit of the apparent conflicting objectives of service excellence and cost-effectiveness at the same time through its approach to recruitment, selection, training, motivation, and retention of its employees.

"At the end of the day, it's the software, people like us, who make the real difference."

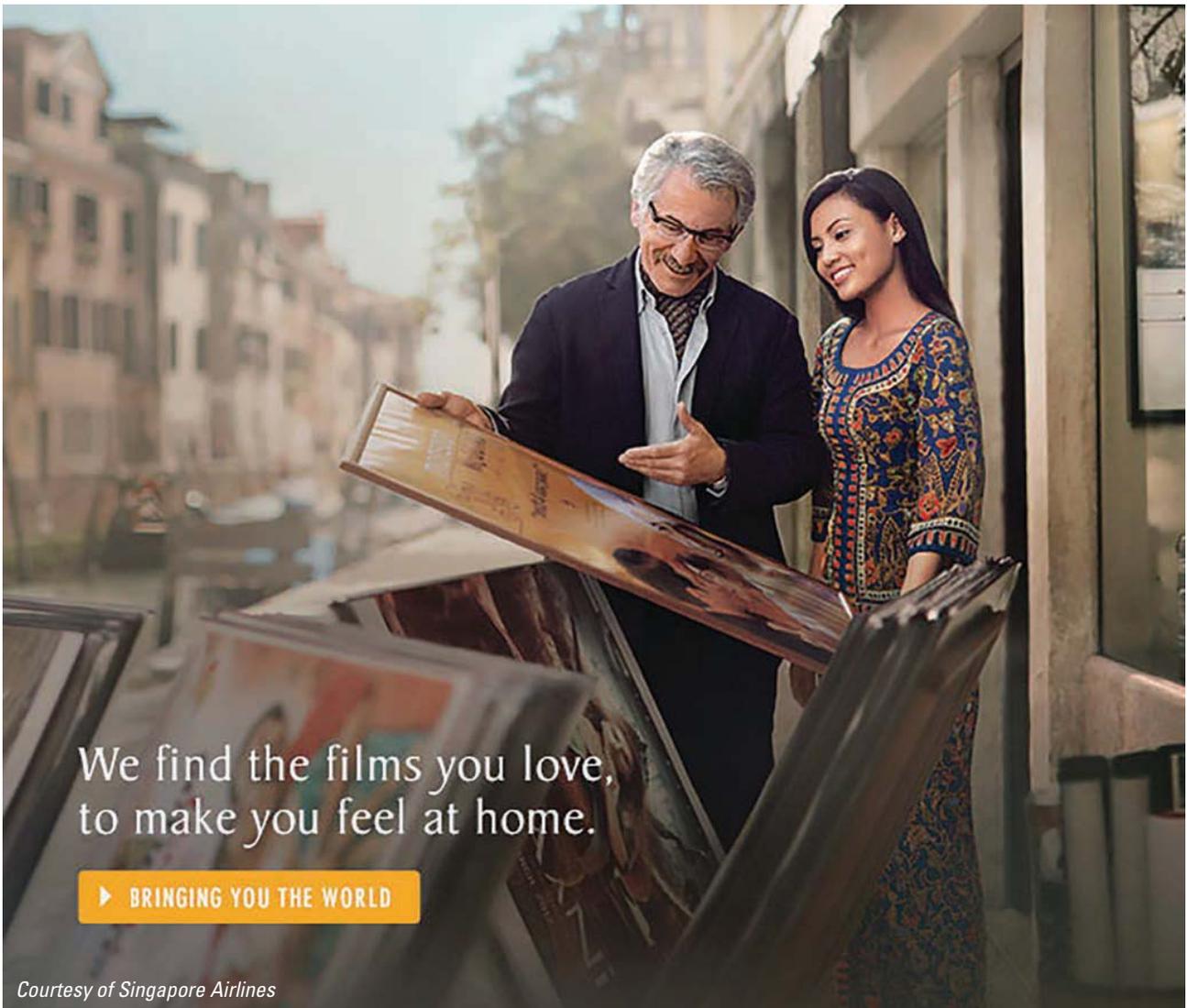
Patrick Seow, Senior Rank Trainer,
Singapore Airlines Training School,
and Inflight Supervisor

"In Singapore, we always want to be the best in a lot of things. SIA is no different. ... a lot of things that we have been taught from young, from our Asian heritage... filial piety, the care and concern, hospitality, and of course, the most important part is trying, if we can, to do whatever we can to please the customer. And how do we do it? Sometimes, people just wonder "How do you guys manage to do it with limited time and resources on a flight", yet we manage to do it somehow. Call us magicians."

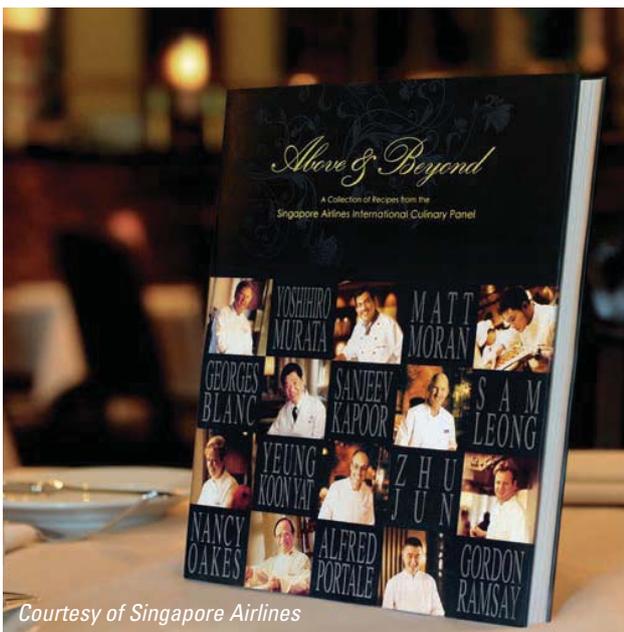
Lim Suet Kwee, Assistant Manager of
Cabin Crew Performance Management,
and Former Senior Flight Stewardess

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This case is based on the following earlier publications: Loizos Heracleous and Jochen Wirtz (2010), "Singapore Airlines' Balancing Act – Asia's Premier Carrier Successfully Executes a Dual Strategy: It Offers World-Class Service and is a Cost Leader", *Harvard Business Review*, Vol. 88, No. 7/8, July-August, 145–149. Loizos Heracleous, Jochen Wirtz, and Nitin Pangarkar (2009), *Flying High in a Competitive Industry: Cost-Effective Service Excellence at Singapore Airlines*. McGraw-Hill Education (Asia). Jochen Wirtz, Loizos Heracleous and Nitin Pangarkar (2008), "Managing Human Resources for Service Excellence and Cost Effectiveness at Singapore Airlines", *Managing Service Quality*, Vol. 18, No. 1, 4–19; and on interviews conducted with Singapore Airlines by Jochen Wirtz in 2015.



SIA's latest brand campaign "The Lengths We Go To"



SIA's International Culinary Panel (ICP) Cookbook



SIA's Business Class Seat on the A330 aircraft

HR AND COST-EFFECTIVE SERVICE EXCELLENCE AT SINGAPORE AIRLINES

Over the past four decades, SIA has earned a stellar reputation in the fiercely competitive commercial aviation business by providing customers with high-quality service and dominating the business travel segments. SIA has been the most awarded airline in the world for many years. For example, it won the World's Best Airline Award 23 out of the 24 times it has been nominated, from the prestigious UK travel magazine *Condé Nast Traveler*, and it won Skytrax's Airline of the Year award three times over the past decade. These awards are a reflection of SIA's customer focus — according to Mr. Tan Pee Teck, senior vice president (Product and Services), “It's not just consistency that we need to maintain, but also an overall elevation in the average standard of service to a higher threshold, because the expectations of frequent flyers especially will rise in tandem.”

One key element of SIA's competitive success is that it manages to navigate skillfully between poles that most companies think of as distinct: delivering service excellence in a cost-effective way. SIA's costs are below all other full-service airlines, and in fact, its cost levels are so low, they are comparable to those of budget airlines. From 2001 to 2009, SIA costs per available seat kilometer were just 4.6 cents. According to a 2007 International Air Transport Association study, the costs for full-service European airlines were 8 to 16 cents, for US airlines 7 to 8 cents, and for Asian airlines 5 to 7 cents per available seat kilometer. SIA had even lower costs than most low-cost carriers in Europe and the US, which ranged from 4 to 8 cents and 5 to 6 cents respectively.

A key challenge of implementing business-level strategies, such as effective differentiation at SIA (through service excellence and innovation) combined with superior levels of operational efficiency, is the effective alignment of functional strategies such as human resources (HR), marketing, or operations with the business-level strategy. The focus of this case is on how HR practices, a crucial aspect of most service businesses, contribute to SIA's success through creating capabilities that support the company's strategy.

Five interrelated and mutually supportive elements inherent in SIA's HR strategy (*Figure 1*), along with leadership and role modeling by top management, play a key role in SIA's ability to deliver its business strategy

of service excellence in a cost-effective way. Let us next take a closer look at how the five elements work and complement each other.



Figure 1 The Five Core Elements of SIA's HR Strategy

Source

This model was derived from the authors' interviews with SIA's senior management and service personnel.

STRINGENT SELECTION AND RECRUITMENT PROCESS

HR strategy begins with recruitment, where SIA adopts a highly rigorous and strict selection process. Senior managers emphasize that SIA looks for cabin crew who can empathize with passengers and are cheerful, friendly, and humble. Cabin crew applicants are required to meet a multitude of criteria starting with an initial screening looking at age ranges, academic qualifications, and physical attributes.

The subsequent recruitment interviews comprise of four rounds. In round 1 (10 applicants at a time), applicants are asked to introduce themselves and answer a question posed by the interviewers. They are assessed on their command of English, confidence, and grooming. In round 2 (six applicants at a time), the candidates are divided into two groups and given a topic to debate. Applicants are assessed on their ability to work as a team and whether they are able to present their arguments in a logical and convincing manner. For the second half of the interview, applicants are given passages to

read to test their enunciation. In round 3, one-on-one interviews with management are carried out to assess the candidate's aptitude and suitability for the position. In the final round, also called the grooming round, a uniform test allows the interviewers 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.

From the 18,000 applications received annually, only some 600 to 900 new cabin crew are hired to cover turnover rates of 10%, including both voluntary and directed attrition, and company growth. After the initial training, new crew are carefully monitored for the first six months of flying through monthly reports from the inflight supervisors during this probationary period. Usually, around 75% of them are confirmed for an initial five-year contract, some 20% have their probation extended, and the rest leave the company.

This meticulous selection process ensures with reasonable certainty that SIA hires applicants with the desired attributes, with a selection rate of 3–4% of its applicant pool. Despite the stringent procedures and strict rules about appearance and behavior, many educated young people around the region apply to join SIA due to the perceived social status and glamour associated with SIA's cabin crew. SIA's reputation as a service leader in the airline industry and an extensive and holistic developer of talent enables it to have its pick of applicants. Many school leavers and graduates view SIA as a desirable company to work for, and as an opportunity to move to more lucrative jobs in other companies after having worked with SIA typically for two five-year contracts or more.

EXTENSIVE INVESTMENT IN TRAINING AND RETRAINING

SIA places considerable emphasis on training, which is one of its focal points in its human resource strategy. According to a 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." Almost half of SIA spending is on functional training and retraining.

Even though training is often emphasized as a key element of success in service industries, SIA remains the airline with the highest emphasis on this aspect. Newly recruited cabin crew are required to undertake intensive 15-week training courses — the longest and most comprehensive in the industry. SIA's training aims to enable cabin crew to provide gracious service reflecting warmth and friendliness, while maintaining an image of authority and confidence in the passengers' minds. SIA's holistic training includes not only safety and functional issues but also beauty care, gourmet food, wine appreciation, as well as the art of conversation. Even during economic downturns and crises, SIA keeps up its heavy emphasis on training. Mr. Goh Choon Phong, CEO of SIA said: "We will continue to invest heavily in the training and development of our people to bring out the best in them, even in the most difficult of times."

As SIA's reputation for service excellence grows stronger, its customers tend to have even higher expectations, which increases the pressure on its frontline staff. According to a commercial training manager, the motto of SIA is: "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." Former CEO Dr. Cheong Choong Kong also commented: "To the company, training is forever and no one is too young to be trained, nor too old."

Continuous training and retraining have been vital to SIA in sustaining service excellence by equipping staff with an open mindset, to accept change and development, and to deliver the new services that SIA introduces regularly. SIA group has four training schools — corporate learning and three core functional areas of cabin crew, flight operations, and engineering. SIA Corporate Learning Centre (CLC) offers general management training under the purview of its HR division. CLC provides executive and leadership programs for all staff with the objective of generating effective managers and visionary leaders. In addition, CLC also drives customer service training and functional training for commercial areas.

SIA's training programs (about 70% of which are in-house) develop 12,000 people a year. Often, training is aimed to support internal initiatives such as the Transforming Customer Service (TCS) program involving staff in five key operational areas: cabin crew, engineering, ground services, flight operations, and sales support. According

to a senior manager for HR development, “To ensure that the TCS culture is promoted company-wide, it is also embedded into all management training. The program 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.” She also added, “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.”

SIA’s leadership and relationship management with staff play a key role in the success of its training initiatives. As a project manager in SIA’s new service development puts it, “I see myself first as a coach and second as a team player.” SIA managers often assume 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. Rotating to other departments every two to three years enables managers to develop a deeper understanding of operations at other areas of the organization. This practice promotes a corporate outlook, reduces the likelihood of inter-department conflicts, and facilitates change and innovation, as people bring fresh perspectives and approaches to their new roles. Constant job rotation is a core part of employee learning and development.

BUILDING HIGH-PERFORMANCE SERVICE DELIVERY TEAMS

The nature of the working environment on board requires people to work effectively as a team to deliver service excellence. In fact, effective teams are often a pre-requisite to service excellence. In view of this, SIA aims to create *esprit de corps* among its cabin crew. The 7,700 crew members are formed into ‘wards’. Each ward consists of about 180 crew, led by a ‘ward-leader’ who acts as a counsellor to guide and develop the crew members.

Ward leaders issue newsletters for their teams, and organize face-to-face sessions and activities with their ward members. These activities include inter-ward games, overseas bonding sessions, and full-day engagement sessions on the ground.

The ward leaders learn about their ward members’ individual strengths and weaknesses, and acts as counsellors to whom they can turn to for help or advice. There are also ‘check trainers’ who often fly with the teams to inspect performance and generate feedback that aids the team’s development. According to an assistant manager of training, “Team leaders are able to monitor and point out what can be improved in the crew, team leaders are the ones to evaluate the crew, monitor staff development, staff performance, and supervise them. They see the feedback and monitor back the performance.”

According to Mr. Sim Kay Wee, former 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 7,700 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.”

In addition, SIA organizes activities that reach out to the wider crew population. The management staff have frequent interactions with crew members at the Control Centre (where crew report for work) over food and drinks. The senior crew members are invited for full-day engagement sessions with the management.

SIA’s cabin crew engages even in some seemingly unrelated activities; for example, the performing arts circle for talented employees where, during the biennial cabin crew gala dinner, they raised over half a million dollars for charity. Currently, there are 30 diverse groups whose activities cover arts, sports, music, dance, and community service. These interest groups provide an avenue for crew members to come together to pursue their passions outside of work. This helps crew members to further develop team spirit. The company believes that such activities encourage empathy for others, an appreciation of the finer things in life, camaraderie and teamwork, and therefore, supports cabin crew members who set up interest groups.

EMPOWERMENT OF FRONTLINE TO DELIVER SERVICE QUALITY

Over time, the soft skills of flight crew and other service personnel get honed, leading to service excellence that is difficult to replicate, not only in terms of how the service is delivered, but also in terms of the mindset that supports this delivery. 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 customer. A senior manager (crew performance) shared such a story:

This particular passenger was a wheelchair-bound lady in her eighties, was very ill, suffering from arthritis. She was traveling 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 a senior manager crew performance, 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 need to feel empowered in order to expend discretionary effort. It is pertinent that employees are able to make decisions independently, as frontline staff frequently have to handle customers on their own, since it is not feasible or even desirable for managers to constantly monitor employees' actions. At SIA, senior

management emphasize 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 customers have special needs.

MOTIVATING STAFF THROUGH REWARDS AND RECOGNITION

Rewards and recognition is one of the key levers that any organization can use to encourage appropriate behavior, emphasize both positive as well as undesirable practices, and recognize excellence. SIA employs various forms of rewards and recognition including interesting and varied job content, symbolic actions, performance-based share options, and a significant percentage of variable pay components linked to individual staff contributions and company's financial performance. SIA keeps base salaries low by offering employees bonuses of up to 50% of their annual base salary, a formula that is hardwired and depends on SIA's profitability. The numerous international accolades received by the airline over the years, including "Best airline," "Best cabin crew service," and "Asia's most admired company," serve as further sources of motivation.

The company also holds company-wide meetings to keep staff updated about latest developments, and circulates newsletters. As an assistant manager cabin crew performance noted, "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 also aids in recognizing service excellence. Staff going the extra mile receive recognition through honors such as the annual CEO Transforming Customer Service (TCS) Awards. A former senior vice president cabin crew stressed 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 heroes and heroines are recognized for their commitment and dedication."

Finding the right people and creating a service-oriented culture are key. A senior manager crew performance said, “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.” A senior manager (crew performance) added, “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 the early 1970s 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 compliment and complaint. We try to learn from the feedback; it’s a never-ending process.”

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 and adherence to procedures, work relationship (spirit of team work), and for the crew member in charge, additional factors of people management skills and pre-flight briefing sessions. The Appendix provides information on how cabin crew are evaluated.

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.

BEYOND HUMAN RESOURCES

For four decades, SIA has managed to achieve what many others in the aviation industry can only dream of — cost-effective service excellence and sustained superior performance. Understanding the underpinnings of SIA’s competitive success has important implications for organizations more broadly. One of the key implications concerns strategic alignment, in particular, aligning human resource practices to a company’s competitive strategy.

At SIA, the human resource management practices outlined above enable the development of service excellence, customer orientation, adaptability and cost consciousness capabilities, which in turn support its dual strategy of differentiation through service excellence and low cost.

The SIA experience highlights how training and development should be employed in order to achieve a holistically developed workforce that can effectively support the company’s strategy. Key questions for leaders therefore are: What sort of behaviors and attitudes do our reward and evaluation systems encourage? Are these aligned with what is needed to support our strategy? Do we train and develop our people in a way that develops the right capabilities to support our strategy? Do we go beyond technical training to address attitudes and ways of thinking?

No organization can stand still. The recent socio-economic crises at the macro-level, and the fast growth of high-quality full-service airlines in the Middle East (e.g., Emirates, Etihad, and Qatar Airways) and Asian budget carriers (e.g., AirAsia) at the industry level, mean that SIA not only needs to sustain its focus on achieving cost-effective service excellence, but also re-examine and re-invent some ingredients of its recipe for success.

Study Questions

1. Describe what is so special about SIA's five elements of its successful HR practices?
2. Evaluate the effectiveness of each element's contribution towards SIA's leadership in service excellence and cost-effectiveness.
3. Despite evidence that such practices help service firms achieve higher company performance, many organizations have not managed to execute them as effectively. Why do you think that is the case?
4. Why do you think are US full-service airlines largely undifferentiated low-quality providers? What are the reasons that none of the full-service airlines positioned itself and delivers as a high service quality provider?
5. Some of SIA's HR practices would be frowned upon in the US and Europe (e.g., having cabin crew on time-based contracts that are renewable every five years). Is this fair competition (i.e., desired competition between regulatory frameworks, as was favored by Margaret Thatcher, former prime minister of the UK), or is it arbitration of regulatory environments that encourage a "race to the bottom" in terms of employee rights?
6. How do people feel if they are working in a culture that focuses so intensely on customers, but cuts costs to the bone internally?
7. View <https://www.youtube.com/watch?v=mlkNzhM2b70> (Across the World with the Singapore Girl) and <http://youtu.be/P5sGKR6NJBw> (Singapore Airlines SQ Girl), and discuss how these videos might be perceived by SIA cabin crew.

Courtesy of Singapore Airlines



Singapore Girls participating in the Heritage Parade during Singapore's National Day Parade 2015

APPENDIX: CABIN CREW PERFORMANCE MANAGEMENT (PM) QUESTIONS

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

Cabin crew are formed into 45 groups known as Wards, each headed by a Ward Leader (WL). Each Ward consists of approximately 180 crew, comprising of crew of all ranks. The WL is primarily responsible for monitoring the performance, coaching & developing, establishing rapport & communication and the welfare of crew of CS rank and below. WLs report to a Ward Management Leader (WML), who typically has five WLs under his/her supervision. Inflight Supervisors (IFS) come under the management of WMLs.

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

The performance of a crew member is measured through 'on-board assessments' (OBA) carried out by a more senior crew member on the same flight. Elements assessed in OBA are:

- a) Image — on grooming and uniform turnout
- b) Service Orientation — crew's interaction and passenger handling capabilities
- c) Product Knowledge and Job Skills — crew's performance with the various bar and meal services and crew's familiarity with procedures/job and product knowledge
- d) Safety and Security — knowledge and adherence to safety and security procedures
- e) Work Relationship — to assess crew's general attitude and teamwork/team-spirit
- f) People Management Skills — supervisory and man-management skills, development of junior crew; ability to plan and co-ordinate the various services

***Section f is applicable only to the crew-in-charge*

3. How frequently do the assessments occur?

It varies from rank and is tracked over a Financial Year (FY).

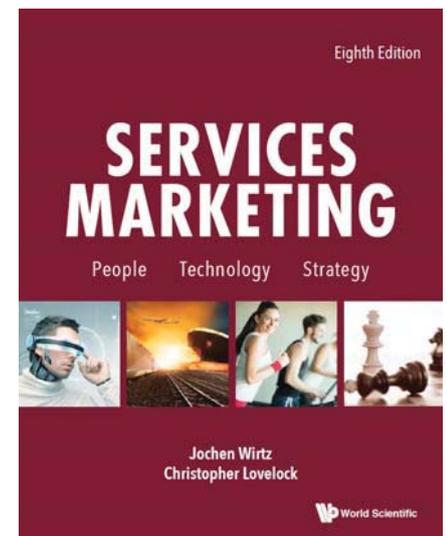
- a) Inflight supervisor — two OBAs per FY
- b) All other cabin crew — six OBAs per FY

4. 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).

5. How do you train assessors and what level of on-going training occurs to ensure rater consistency?

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



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