

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

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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 Senior Flight Steward

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“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, Senior Rank Trainer,
Singapore Airlines Training School, and Senior Flight Stewardess



A cookbook based on recipes from SIA's International Culinary Panel.



SIA's new business class has the widest seats in the industry.

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 21 out of the 22 times it has been awarded from the prestigious UK travel magazine *Condé Nast Traveler*, and it won the Skytrax's Airline of the Year award three times over the past decade.

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 that 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 8–16 cents, for US airlines 7–8 cents, and for Asian airlines 5–7 cents per available seat kilometer. SIA had even lower costs than most low-cost carriers in Europe had and the US had, which ranged from 4–8 cents and 5–6 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 HR, marketing, or operations with the business-level strategy. The focus of this case is on how human resource (HR) practices, a crucial aspect of any service business, contribute to SIA's success through creating capabilities that support the company strategy.

Five interrelated and mutually supportive elements inherent in SIA's HR strategy (see 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 at SIA.

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 who 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. After these baseline requirements, they undertake several rounds of interviews, uniform checks, a water confidence test, a psychometric test, and even attend a tea party.

The first round of interviews includes group interviews for an initial overall assessment and an English passage reading test to assess language competency. The next round involves a one-on-one, in-depth interview aiming to evaluate whether the applicant possesses SIA's required core values and competencies, and then a psychometric test is administered to further confirm the earlier results.

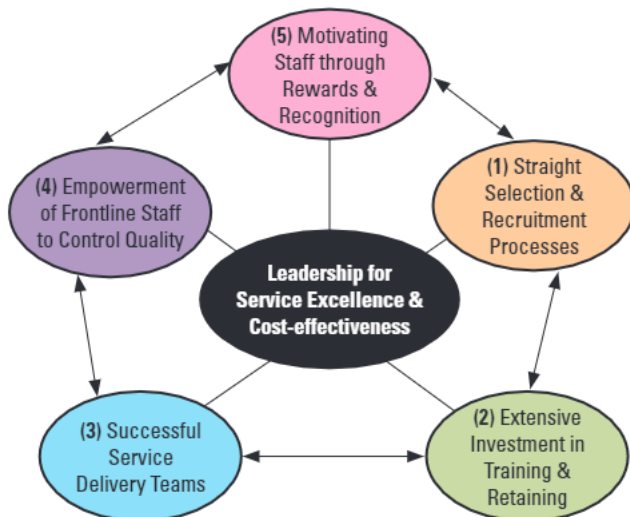
The uniform test after this allows the interviewer to assess the look of the applicant in SIA's *sarong kebaya*. This evaluation includes the posture, gait, and general appearance of the applicant in the uniform. Selected candidates from this round will also have to undertake a water confidence test 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 with water in case they have to aid passengers for an emergency evacuation on water.

The next interview is the management round where the senior vice president and senior cabin crew staff interview those shortlisted. In the final stage, the applicants attend an apparently informal tea party that gives management a further opportunity to observe applicants' interaction style and demeanor.

From the 18,000 applications received annually, only some 600–900 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 supervisor during this probationary period. Usually, around 75% 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.

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.

EXTENSIVE INVESTMENT IN TRAINING AND RETRAINING

SIA places considerable emphasis on training, which is one of its focal points in its HR 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.” 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 four-month 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, and wine appreciation, as well as the art of conversation.

As SIA’s reputation for service excellence grows stronger, its customers tend to have even higher expectations, which increase the 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.” Former CEO Dr. Cheong Choong Kong also commented that “to the company, training is forever and no one is too young to be trained, nor too old.”

Continuous training and retraining has been vital to SIA in sustaining service excellence by equipping staff with an open mind-set to accept change and development and to deliver the new services SIA introduces regularly. SIA group has seven training schools for the seven core functional areas of cabin crew, flight operations, commercial training, information technology, security, airport services training and engineering. SIA Management Development Centre (MDC) also offers general management training under the purview of its HR division. MDC 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. 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 Ms. Lam Seet Mui, 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 Mr. Timothy Chua, Project Manager (New Service Development) put 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, which 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

Effective teams are often a prerequisite to service excellence. In view of this, SIA aims to create “esprit de corps” among

its cabin crew. The 6,600 crew members are formed into teams of 13 individuals where team members are rostered to fly together as much as possible, allowing them to build camaraderie and better understand each other's personalities and capabilities. The team leader learns about individuals' strengths and weaknesses and acts as a counselor to whom they can turn to for help or advice. 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. According to Ms. Gladys Chia (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, supervise them. They see the feedback and monitor back the performance."

According to Mr. 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."

Further, Mr. Toh Giam Ming, Senior Manager (Crew Performance), suggested that "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. Because once you get familiar with the team, there is support and guidance on how to do things." Mr. Choo added, "The individual, you see, is not a digit or a staff number. If you don't have team flying, with 7,000-odd people, it can be difficult for you to really know a particular person."

SIA's cabin crew engages 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. There are also gourmet, language, and sports circles. The company believes that such activities encourage empathy for others,

an appreciation of the finer things in life, camaraderie and teamwork.

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. Mr. Toh 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 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 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 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 are empowered to raise it to 25 or 50 kg if they feel that it is right and justifiable. “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,” said Mr. Yap.

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 reward 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 companywide meetings to keep staff updated about latest developments and circulates newsletters. As Ms. Lim 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 such honors as 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 heroes and heroines are recognized for their commitment and dedication.”

Finding the right people and creating a service-oriented culture are key. Mr. Choo 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.” Mr. Toh 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 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 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 “onboard 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 (teamworking spirit), and, for the crew member in charge, additional factors such as people management skills and preflight briefing session. The Appendix shows the evaluation form for cabin crew.

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 three and a half 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*, that 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 socioeconomic crises at the macro-level and the emergence of high-quality full-service airlines in the Middle East (e.g., Emirates) 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 reexamine and reinvent 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 toward 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 illegal in the United States and Europe (e.g., making renewal of contracts dependent on employees maintaining their body weight; or having all its 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 United Kingdom), 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 <http://youtu.be/fNEJrd6GkSY> (Across the World with the Singapore Girl) and <http://youtu.be/P5sGKR6NJBw> (Singapore Airlines SQ Girl), and discuss how these videos are perceived by SIA cabin crew.

APPENDIX: CABIN CREW PERFORMANCE MANAGEMENT (PM) QUESTIONS

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

Our crew are 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 (CCE). Each CCE has six ward leaders under his or her charge 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 member is measured through “onboard assessments” (OBA) carried out by a more senior crew member on the same flight. Elements assessed in OBA are:

- Image—on grooming and uniform turnout
- Service Orientation—crew’s interaction and passenger handling capabilities
- 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
- Safety and Security—knowledge of and adherence to safety and security procedures
- Work Relationship—to assess crew’s general attitude and teamwork/team spirit
- People Management Skills—supervisory and management skills, development of junior crew, ability to plan and coordinate the various services
- Preflight Session—effectiveness of the preflight briefing

***Sections f & g are only applicable to the crew-in-charge.*

3. How frequently do the assessments occur?

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

- New Crew on Probation—six OBAs during the six-month probation period

In addition, there is also a “closed assessment,” which is carried out in conjunction with the OBA. In the closed assessment, we look at crew’s attitude, interest toward the jobs, and biases/apprehension toward certain passengers

- Flight Steward/Stewardess—minimum four per FY
 - Supervisory Crew—three to four times per FY
 - Crew-in-Charge—twice per FY
- ### 4. What level of feedback is given to the individual—at the time of checks and cumulatively, that is, during the quarterly review, annual review, etc.? How do you manage a good quality of interaction rather than just making sure the meeting happens?

The OBA is an open appraisal and the appraiser discusses the strengths and weaknesses with the appraisee. The appraisee views and endorses the OBA. All returned OBAs are scanned and flagged out for the ward leader’s monitoring if the scores fall outside our predetermined thresholds. If necessary, the ward leader will go on the appraisee’s flight to check out the crew 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 member in his ward at least once a year. The ward leader will take this opportunity to review/discuss the records of the crew. In addition, the ward leader is required to carry out an annual assessment of all crew in his ward before finalising the annual appraisal score.

The annual appraisal is weighted as follows:

Elements	Weightage %
OBA	60
Discipline	15
Attendance Record	10
Passenger Feedback	10
Ward Leader Assessments	5

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 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 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.

