Singapore Airlines

Background

Under modern constructs, the competitiveness, performance, and success of a firm are defined in terms of nothing other than the different strategies implemented by the management to guide the business operations and processes. Nonetheless, these strategies occur at different levels of an organization and have to be implemented simultaneously to ensure that all levels and functions of a firm contribute to the success. It is in light of this that this paper looks at the various strategies that influence the performance of Singapore Airlines. For a long time, Singapore Airlines has constantly outsmarted its rivals within the environment of an unforgiving industry. This paper attempts to analyze ways in which Singapore Airlines has managed to attain an exemplary performance and sustained its competitive advantage, by efficiently enforcing both business-level and corporate-level strategies. These strategies include: differentiation by service excellence and innovation, as well as simultaneous cost leadership in its peer group. The paper will also evaluate the firm's competitors and the organizations features that have enabled it to do so (Heracleous & Wirtz, 2009).

Business-Level Strategies

Business-level strategies can be described in terms of variation in an organization's features in relation to competitive success or failure in a particular industry. In this case Singapore Airlines' competitively relevant, business-level features are perceived distinctively in relative terminologies. Therefore, an organization would have a separate business-level strategy for every industry within which it competes, and the appropriate features of the organization's business-level strategies would be measured in relation to the range and norms on every feature in each industry (Beard & Dess, 1981).

Hofer and Schendel offer a concise definition of business-level strategy by stating that at the business level, an organization's strategy focuses on the ways in which it can compete within a given industry or product-market segment. Therefore, distinctive competencies and competitive advantage are normally the most significant aspects of strategy at this level. An organization can operationalize its business-level strategies in terms of an abundant variety of measures. In two of the broadest ranging researches, Schoeffler, Buzzel, and Heany, and Schendel and Patton, an organization's size in relation to rivals' and resource allotment to capital investments, advertizing, and research in relation to rivals were studied as strategic determinants of an organization's profitability. Assuming a more financially-based standpoint, Hall and Weiss, and Fisher and Hall found two risk factors: unpredictability of an organization's profitability, as well as debt leverage, respectively, to explain significant variation in an organization's profitability (Beard & Dess, 1981).

Singapore Airlines' Business-level Strategies

The company's differentiation strategies and cost leadership have often enhanced different and investments and organizational models. For instance, the firm's strategy of differentiation leads to high quality offerings and significant investments in innovation, staff development and branding, resulting to higher costs than average. Singapore Airlines realizes a differentiation strategy, but surprisingly with no cost penalty. As matter of fact, as noted above, Singapore Airlines has a tremendously higher efficiency than its rivals, which is considered as the key element of a successful cost leadership strategy (Heracleous & Wirtz, 2009).

Strategic alignment can be reflected as containing four main aspects. First, there are the environmental conditions, which are macro and microelements relating to the industry. The second element is the strategy the organization that is relevant for the environmental conditions. The third elements are the main competencies than need to efficiently boost the strategy, and finally, the company-level elements like processes, culture, and functional strategies, which should yield the required core competencies. The aspects of Singapore Airlines connected to the pillars are primarily situated at the organizational level. This is the key level of strategic alignment that brings out the key competencies of the company (Heracleous & Wirtz, 2009).

Singapore Airlines' core competence emanates from its ability to realize a differentiated offer with unique levels of effectiveness, which the company terms as cost-effective service excellence. This capability boosts the company's dual strategy, which in turn is in line with macro and micro-level market conditions. Provision of high-standard services and being highly effective has been part of the objectives of the company. The firm has put in place measures aimed at delivering high quality customer care services that are secure, reliable and pocket-friendly. In addition, the firm plans to generate high income that promotes adequate resources for investments and satisfactory returns to shareholders. Besides, the company has adopted HR management practices in the entire organization that attract, develop, encourage and keeps workers who contribute to the organization's objectives (Heracleous & Wirtz, 2009).

Corporate-level Strategies

Corporate-level strategies can be viewed in terms of variance in the portfolio of industries whereby an organization conducts its business operation. The verbal descriptions applied closely follow Hofer and Schendel's concepts of corporate-level and business-level strategy. Corporate-level strategies can be described in terms of variance in application of an organization's resources among the portfolios of industries within which all organizations compete. Hofer and Schendel argue that corporate-level strategies are mainly concerned with answering the question of what set of businesses should an organization be in. As a result, the scope and resource utilization among organizations are the major elements of corporate strategy (Beard & Dess, 1981).

An organization's corporate-level strategies can be made operational in terms of the distribution of its assets, sales, employment, capital-budget, or other indexes of firm resources among the various present industries. Most organizations have a simplified corporate-level strategy, since they compete in only a single industry among the other hundreds that are present. Some organizations, however, take part in various industries, and their top executives must contend with the varied demands of their industrially specialized units (Beard & Dess, 1981).

Singapore Airline's Corporate Strategy

The company has positioned itself as a premium carrier with high standards of innovation and excellent levels of service. Besides, it has established a strategic choice of prioritizing profitability over size. The company's outlined internal organizational strategies include continuous people development and rigorous service designs are the core elements of an operationalizing and sustaining this positioning and strategic choice. At the corporate-level, the company has employed a strategy of related diversification. In this regard, the company has thirteen major subsidiaries and a number of affiliates such as Silk Air (Heracleous & Wirtz, 2009).

The company's airline subsidiary constitutes 100% ownership of regional carrier Silk Air, budget carrier Tiger Airways (32%) and Virgin Atlantic (48%), serve major customer segments in the industry. This is considered to be a long-standing corporate-level strategy. The company also plans to serve all segments, that is, Silk Air on the middle ground and Tiger Airways at the low end. Tiger Airways' shareholders include Temasek and Irelandia (Heracleous & Wirtz, 2009).

Investments

The company does not aspire to be much better but just a little better in all of its operations and services than its rivals. This is achieved through continuous innovation. Innovation boosts the idea of cost-effectiveness. Constant incremental advancements are made at a lower cost than radical innovation, but deliver the required margin of value to the consumers. This implies that it does not need to be very expensive. Apart from incremental improvements, Singapore Airlines has also implemented big initiatives aimed at sustaining service excellence. These initiatives range from outstanding service on the ground program to transforming customer service. In order to encourage discontinuous service innovations, the organization works to get an in-depth understanding of the current practices in customer needs, and discusses their understanding of the current lifestyles for the sake of future efficient services in the air (Heracleous & Wirtz, 2009).

The company has developed ground for proper managerial skills and corporate as opposed to a divisional outlook by job rotation. Similar activities like catering and aircraft maintenance have the advantage of reaping higher profit margins than the actual airline investment since the industry setting is more conducive in these areas. The company's airpot subsidiary, for instance, offers various ground services at Changi Airpot. This exemplary travel administration and infrastructure attracts customers who are journeying to Australia and other states (Heracleous & Wirtz, 2009).

Competitive Environment

The competitive atmosphere in the airline sector is becoming more complex. Besides the declining fuels prices and the security issues, the biggest concern for organizations operating in the industry is the risk of long-range aircraft by-passing their zones. The Boeing 777-200 LR, built in 2005, for instance, can fly 17000 kilometers on top of the earth's surface. These aircrafts can enable airlines to by-pass zones like Australia on flights from Africa to Singapore. Singapore Airline has sought right to fly from Australia to the European continent, and from Australia to the United States for them to avert this possible peril (Heracleous & Wirtz, 2009).

Rivals are hot on the Airline's heels, working to lessen the gap not only in service delivery but also in effectiveness. This is considered an uphill task. For instance, the Malaysian Airline is attempting to match its service delivery style with that of Singapore Airlines, but it still far from reaching such standards with regard to efficiency. Other rivals have employed radical growth while also trying to compete in areas of quality service delivery. A case in point is Fly Emirates, which issued out successive orders for 45A 380 planes and tickets which are comparatively lower than its major rivals. When it comes to internal environment, the urgent need of lowering the number of workers and introducing a variable element to wage s in terms of the organization's profitability following the 2003 SARS crisis, it has been operating with hardship in its industrial relations environment (Heracleous & Wirtz, 2009).

The residents from the fourth estate have aired various concerns on matters relating to the ways in which the company delivers its services to consumers. According to the 2006 Skytrax Worldwide Airline, Singapore Airline is the seventh in position in the Airline of the Year survey, down from 4th in the preceding year. This has sparked debate on whether it is important to strike the balance between efficacy and high-standard services at Singapore Airline. In the 2007 and 2008 Skytrax survey, the organization reclaimed its top ranking as airline of the year. At the same time, critics and rivals raise grumble that most of the company's achievements are owed to the surrounding conditions and the government's support as opposed to its own capacity. Further, some analysts remark that one of the advantages of Temasek's 54% stake is lower perceived debt risk by creditors, hence lower cost required to borrow. The industrial relations environment in Singapore is viewed as less hostile than in other parts of the world, thereby allowing the company to actualize its policies that have the potential of arousing more antagonism in all other airlines. The company's acquisitions have not gone turned out well (Heracleous & Wirtz, 2009).

Slow-Cycle and Fast-Cycle Markets

The competitive conditions discussed in questions three are not likely to change in for Singapore Airline in both the slow-cycle and fast-cycle markets. Slow-cycle markets are markets in which the organization's competitive advantages are protected from being aped for considerably longer durations, and where aping its strategies proves costly. It is clear that Malaysian Airline attempted to imitate Singapore Airline in terms of service delivery, but it proved futile, since it was expensive in the long-run, and the outcomes of imitation showed that they were far from matching themselves with the services offered by Singapore Airlines. Such markets, as stated above, have proven show resemblance to monopolistic environments (Hoskisson, Hitt, Ireland, & Harrison, 2008).

In fast-cycle markets, the organization's competitive benefits are not protected from being aping other rival firms, hence barring their sustainability in the long-run. Singapore

Airlines' strategies are not shielded from imitation by rival firms operating in the same industry. However, it is evident that Malaysian Airline, as a major competitor, made attempts to imitate its corporate-level strategy by seeking to reduce the service delivery gap between it and Singapore Airline. However, this effort was not to realize, since the service delivery strategy was far from being rated with Singapore's. Imitation efforts did not work for the rival firm, since the company still remained outstanding in the wake of stiff competition. While fast-cycle markets have a tendency of being unstable, unforeseeable and sophisticated, Singapore Airline remained resistant to these competitive forces. Consequently, Singapore Airline did not bother to seek sources of fresh competitive advantages, while establishing values by making use of the present ones (Hoskisson, Hitt, Ireland, & Harrison, 2008).

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