

Flying High in a Competitive Industry: Cost-effective Service Excellence at Singapore Airlines

Loizos Heracleous, Jochen Wirtz, Nitin Pangarkar

McGraw-Hill Education

Singapore

2006

ISBN 007-124964-8

Review DOI 10.1108/09564230610667131

301

How is it possible that Singapore Airlines (SIA) is so successful in pursuing seemingly incompatible strategies? On the one hand, the company is a quality leader. On the other hand, it is able to provide excellent service in a difficult and competitive environment so efficiently that it is highly profitable. In their new book, Loizos Heracleous, Jochen Wirtz, and Nitin Pangarkar answer this question and provide at the same time lessons for managers in other industries.

The book consists of six chapters. In the first chapter, the authors analyse the airline industry as a whole, as well as its key economic and political determinants and trends. They analyze the cost structures and the financial performance of the industry over time, and the relevant strategic trends like the formation of alliances and the emergence of budget carriers. Through their description, the current challenges for airlines become evident: controlling costs, raising productivity and improving quality simultaneously.

The focus of the second chapter is on SIA itself. It demonstrates the most relevant strategic decisions and shows how they impacted SIA's performance. The authors discuss relevant factors like the young aircraft fleet, the low staff costs, the strive for efficiency, a global revenue base, brand reputation, and alliance and acquisition strategies. In addition, they analyse the interrelations between the factors and demonstrate that SIA's superior performance can be attributed to the consistency of the strategic decisions.

The discussion of chapter 3 reveals that SIA achieved its competitive advantage not by choosing either cost leadership or differentiation as a generic competitive strategy, but by integrating both positions – a strategic competency that the authors call "cost-effective service excellence". According to the authors' analysis this competency is caused by five strategic success factors. These "five pillars" are rigorous service design and development, total innovation, ingrained profit and cost consciousness, holistic staff development, and strategic synergies through related diversification and world-class infrastructure. These pillars are realized through the total acceptance of the concept and its supporting values by all employees, and by a self-reinforcing activity system of virtuous circles. In the same chapter, the authors touched on the relevance of innovation by demonstrating SIA's investments in biometrics.

Chapter 4 covers SIA's innovation strategy in depth. It describes SIA's ability to sustain an innovation orientation over decades in order to fulfil the rising expectations of its customers and to deliver at the same time, uniform and personalized service.

This is done by a specific combination of structured centralized innovation to design major service breakthroughs, as well as decentralised continuous improvement activities undertaken by departments throughout the organization. In addition, customer and front-line employee feedback are used systematically as a source for innovation.

The human resource management process is the focus of the fifth chapter. It analyses the elements forming SIA's human resource management: stringent selection and hiring of people, extensive training and retraining, formation of successful service delivery teams, empowerment of the front line, and staff motivation. These elements are not new, but it is interesting to learn how sustainable success can be achieved through an integrated and service-oriented application of these elements.

The lessons from their analysis for all companies that aim to achieve competitive advantage are presented in Chapter 6. The authors derive their recommendations from the SIA case and complement their arguments with references to other companies that achieved success using the same principles. They show that success can be traced to robust strategies, high levels of strategic alignments, investment in core competencies, the realization of strategic innovations and the creation of a strong company culture.

This book has many benefits for its readers. It contains an elaborate and instructive description of SIA's service success story. The clear and precise analysis of the industry specific determinants, and the essential company specific success factors are praiseworthy. The discussion contains an excellent classification of SIA's approach to competitive strategies. Their description and analysis are presented in a reader-friendly manner, and are illustrated by several informative figures and photographs.

The authors have superbly combined concrete case description with more abstract considerations and the deduction of general management implications. In doing so, they show in a convincing way that business success over time cannot be achieved by following simple and quick "how to"-recipes. Companies have to act with a clear vision and an aligned application of a consistent bundle of strategic decisions. This makes the book so valuable for ambitious managers in service companies who have to prevail in tough markets and want to learn from the best.

Bernd Stauss

*Chair of Services Management,
Ingolstadt School of Management, Germany*