



# Managing human resources for service excellence and cost effectiveness at Singapore Airlines

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## Abstract

**Purpose** – The purpose of this paper is to explore the nature of Singapore Airline's human resource (HR) management practices that enable the company to deliver consistent service excellence in an efficient manner and achieve sustainable competitive advantage.

**Design/methodology/approach** – The paper presents an in-depth case study based on primary and secondary data, and especially in-depth interviews of senior management and senior flight crew.

**Findings** – The study finds that Singapore Airlines' HR practices involve stringent selection and recruitment processes, extensive training and retraining, successful service delivery teams, empowerment of front-line staff to control service quality, and motivating staff through rewards and recognition.

**Practical implications** – This research has implications for organisations that aim to deliver consistent service excellence, by outlining HR practices that assist in this goal; and for senior management, particularly highlighting the importance and contribution of HR to competitive advantage, and the importance of strategic alignment between functional strategies and business-level strategies.

**Originality/value** – The paper contributes to the understanding of how HR practices contribute to service excellence and competitive advantage, this being a key dimension of strategic alignment.

**Keywords** Selection, Training, Empowerment, Service levels, Airlines, Strategic alignment

**Paper type** Case study

## Introduction

Service employees are a key input for delivering service excellence and productivity, both of which can be important sources of competitive advantage. Yet, among the most demanding jobs in service organisations are these so-called front-line jobs where employees are expected to be fast and efficient at executing operational tasks, as well as friendly and helpful in dealing with their customers. Therefore, it is a challenge for

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This article is based on interviews conducted during October 2006, and also draws on the following earlier publications: Heracleous *et al.* (2006, 2004, 2005). The conceptual underpinnings of this chapter and many of the management theories referred to can be found in Lovelock and Wirtz (2007).



service firms to get their human resource (HR) management right, and most successful service organisations have a firm commitment to effective HR management, including recruitment, selection, training, motivation and retention of employees. It is probably harder for competitors to duplicate high-performance human assets than any other corporate resource.

From a service organisation's perspective, the service level and the way service is delivered by the front line can be an important source of differentiation as well as competitive advantage. In addition, the strength of the customer-front-line employee relationship is often an important driver of customer loyalty (Bove and Johnson, 2001; Castro *et al.*, 2004).

The intuitive importance of the impact of service employees on customer loyalty was integrated and formalised by Heskett and his colleagues in their research on the service profit-chain, in which they demonstrated the links between: employee satisfaction, retention and productivity; service value; customer satisfaction and loyalty; and revenue growth and profitability (Heskett *et al.*, 1994). Unlike in manufacturing, "shop-floor workers" in service organisations (i.e. front-line employees) are in constant contact with customers, and there is solid evidence showing that employee satisfaction and customer satisfaction are highly correlated (Schneider and Bowen, 1993). The present article examines the HR practices of Singapore Airlines (SIA), a service and productivity leader in the airline industry for many decades, and discusses implications for other service organisations more broadly. Next, we provide an introduction to SIA's strategy and the crucial importance of effective HR management in delivering that strategy.

### **SIA's generic strategy and supporting capabilities**

SIA has achieved the holy grail of strategic success: sustainable competitive advantage. Even though the airline industry is extremely challenging[1], given its disastrous business cycle, overcapacity, difficulty of differentiation, high-risk profile and structural unattractiveness, SIA has consistently outperformed its competitors throughout its three-and-a-half decade history.

One key element of SIA's competitive success is that it manages to navigate skilfully between poles that most companies think of as distinct: delivering service excellence in a cost-effective way, at cost levels so low that they are comparable to those of budget airlines. 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 (Heracleous and Wirtz, 2006; Wirtz and Heracleous, 2005), is the effective alignment of functional strategies such as HR, marketing, or operations with the business level strategy (Wirtz and Johnston, 2003). Our focus in this chapter is how human resource practices, a crucial aspect of any service business, contribute to SIA's success through creating capabilities that support the company strategy.

Michael Porter's well-known generic strategy framework recommends that in their search for sustainable competitive advantage companies should choose clearly between a cost-leadership or differentiation approach, combined with a choice about the scope of the market they want to compete in (Porter, 1985). Porter argued that since each choice should be supported and implemented through relevant resource allocation decisions and other strategic actions, trying to do both would lead to organisational

inconsistencies and the achievement of neither strategy, with the result that the company would be “stuck in the middle”. However, it appears that SIA has successfully combined differentiation in terms of market positioning and quality of offering, with a low-cost strategy in terms of internal operational costs to achieve superior results. The cost levels of SIA expressed as costs per available seat kilometre, a usual cost metric in the airline industry, are close to the costs of budget carriers. Singapore Airline’s costs per ASK were US 4.5 cents in 2005-2006, up from 4.2 cents in 2004-2005 and 3.9 cents in 2003-2004[2]. By comparison, easyJet had costs of 6.9 cents per ASK in 2003-2004, Ryanair 4.8, British Airways 12.5, and Lufthansa 14.6.

Both superior quality as well as high levels of efficiency have been part of the goals and objectives of SIA since its founding, which have been to:

- deliver the highest quality of customer service that is safe, reliable and economical;
- generate earnings that provide sufficient resources for investment and satisfactory returns to shareholders;
- adopt human resource management practices company-wide that attract, develop, motivate and retain employees who contribute to the company’s objectives; and
- maximise productivity and utilisation of all resources.

From a resource-based view of strategy, all companies have resources (tangible and intangible) as well as various capabilities, or the ability to organise resources effectively and efficiently to realise their strategy (Wernerfelt, 1984). Capabilities are intangible, embedded in people, processes and culture; and they are much harder to copy than tangible resources, which often can be imitated successfully as long as funds are available. However, few companies have capabilities that satisfy the four criteria of being valuable to customers, rare, hard to imitate and hard to substitute. These capabilities can be referred to as core competencies that can lead to sustainable competitive advantage if aligned with the company strategy and market conditions, and companies that nurture and develop them are more likely to achieve superior performance than their competitors in the longer term.

In SIA, the effective implementation of the human resource development practices described here, and the ability to align these practices with the business strategy appear to be a capability that satisfies the criteria for a core competence, that has contributed to SIA’s sustainable competitive advantage. We explore in this paper the nature of these HR practices and discuss implications for organisations more broadly.

### **Method**

Over the past seven years, through the in-depth case study method, we examined SIA’s strategy and competitiveness in particular its organisational competencies that support the delivery of service excellence in a cost effective manner. We have collected both primary and secondary data. In addition to researching library and database resources on SIA and the airline industry, we have up to the time of writing this paper, conducted a total of 18 in-depth interviews (a list of interviewees is provided in Appendix 1) with a view to gaining a deeper appreciation of how SIA has managed and organised its human resources to achieve sustainable competitive advantage and

outperform other airlines in its peer group for decades. We have transcribed and analysed these interviews to identify practices and common themes related to the management of human resources at SIA, that we outline in this chapter.

As is inherent in service businesses, at SIA, people and especially front-line staff, are a core part of the offering and the most visible element of the service from a customer experience point of view. Based on interviews with SIA's senior management and experienced flight crew, we have distilled five elements that form the cornerstones of SIA's human resource management and reinforce its service excellence strategy. Those five elements are:

- (1) stringent selection and recruitment processes;
- (2) extensive training and retraining of employees;
- (3) formation of successful service delivery teams;
- (4) empowerment of front-line staff; and
- (5) motivation of employees.

Even though these service elements are simple to state, few firms have been able to implement systems that deliver the desired results consistently and seemingly effortlessly, and are hard to imitate at the same level of sophistication by competitors.

### **Managing people effectively to deliver sustained service excellence**

Human assets are crucially important to service firms due to the inherent characteristics of the service industry, and HR management practices and the resulting quality of human resources are difficult for competitors to imitate. Service is a core part of the product and front-line staff tend to be the most visible element to consumers, hence significantly influencing service quality. SIA's Singapore Girl has become synonymous with the airline (Chan, 2000a, b) and the personification of quality service while most other airlines have not managed to "brand" and promote their cabin crew as successfully. Further, from a customer experience point of view, consumers often see front-line staff as the firm itself. Front-line staff at SIA are empowered to make appropriate decisions on customer service delivery and take corrective actions as needed for service recovery. Lastly, the front-line staff and service is a core part of the brand, and the service experience informs customer perceptions on whether the brand promise gets delivered. SIA places heavy emphasis on all aspects of selection, training and motivation especially for its front-line staff.

Five interrelated and mutually supportive elements inherent in SIA's human resource strategy (see Figure 1), along with leadership and role modelling by top management, play a key role in SIA's ability to deliver its business strategy of service excellence in a cost effective way. Despite evidence that such practices help service firms achieve higher company performance, many organisations have not managed to execute them as effectively (Huselid *et al.*, 1997).

#### *Stringent selection and recruitment processes*

The right people are your most important asset (Jim Collins).

Further to this we believe that "The wrong people are a liability". HR strategy begins with recruitment, where SIA adopts a highly rigorous and strict selection process.



**Figure 1.**  
The five elements of SIA's  
HR management

**Source:** This model was derived from the authors' interviews with SIA's senior management

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 three rounds of interviews, uniform checks, a water confidence test, a psychometric test and even attend a tea party. From the 16,000 applications received annually, only some 500 to 600 new cabin crew are hired to cover turnover rates of 10 per cent, including both voluntary and directed attrition. After the initial training, new crew are carefully monitored for the first six months of flying through monthly reports from the in-flight supervisor during this probationary period. Usually around 75 percent are confirmed for an initial five-year contract, some 20 percent have their probation extended, and the rest leave the company. Despite the stringent procedures and strict rules about appearance and behaviour, 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 for a few years.

Senior managers emphasise that SIA looks for cabin crew who can empathise with passengers and who are cheerful, friendly and humble. Interviews that short-listed applicants go through include group interviews for an initial overall assessment and an English passage reading to assess their language competence. The next round involves a one-on-one in-depth interview aiming to evaluate whether the applicant possess 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 3 metres. 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 short listed. In the final stage, the applicants attend a tea party that gives management a further opportunity to observe applicants' interaction style and demeanour.

This meticulous selection process ensures with reasonable certainty that SIA hires applicants with the desired attributes with a selection rate of 3 to 4 per cent of its applicant pool.

#### *Extensive investment in training and retraining*

According to Schneider and Bowen (1995):

the combination of attracting a diverse and competent applicant pool, utilising 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.

SIA places considerable emphasis on training which is one of its focal points in its human resource 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.

Even though training is often emphasised as a key element of success in service industries (Schlesinger and Heskett, 1991), 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 (Kingi and Dutta, 2003). Flight crew are also required to embark on 29 months of comprehensive “on-line” training before any promotion to first officer (Singapore Airlines, 2005a). 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 (Chan, 2000a, b). According to Mr Choo Poh Leong, senior manager Crew Services:

During the four months' training, [cabin crew] 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.

As SIA's reputation for service excellence grows stronger, its customers tend to have ever higher expectations, which increases the pressure on its front-line 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.

Yap Kim Wah, senior vice president (Product and Service) added:

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 programs, then you go for sabbatical. You go and learn a language, do something new and refresh yourself.

Continuous training and retraining has 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 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 the HR division. MDC provides executive and leadership programmes for all staff with the objective of generating effective administrators and visionary managers. The centralised training enables a cross-departmental networking that enhances mutual understanding and develops a more integrated view of SIA. MDC divides its programmes into three broad areas (Singapore Airlines, 2005b);

- (1) 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 for example from negotiation tactics to cross-cultural understanding; and
- (3) self-development programmes in areas such as social etiquette or counseling.

SIA's training programmes (about 70 per cent 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) programme 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. 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 realise 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 per cent of the resources on training and invigorating our people, 30 per cent on reviewing processes and procedures, and 30 per cent 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 organisation. Rotating to other departments every few years enables managers to develop a deeper understanding of operations at other areas of the organisation 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.

#### *Building high-performance service delivery teams*

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 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 others' personalities and capabilities. The team leader learns about individuals' strengths and weaknesses and acts as a counsellor 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 per cent to 70 per cent 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 added:

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'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 in year 2004 they raised over half a million dollars for charity (Singapore Airlines, 2004a). 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 front-line staff to control quality*

The culture of most successful service firms contains stories and myths of employees effectively recovering failed transactions, walking the extra mile to make a customer's day, or helping clients avert disaster. Mr Toh shared such a story:

This particular passenger was a wheelchair-bound lady in her 80s, 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 need to feel empowered in order to expend discretionary effort. It is pertinent that employees are able to make decisions independently as front-line staff frequently have to handle customers on their own since it is not feasible or even desirable for managers to constantly monitor employees' actions (Yagil, 2002). At SIA,

senior management emphasise 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. For example, the usual baggage allowance is 20 kg but front-line 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. Empowerment of the front line is especially important during service recovery processes. As noted by Ms Gladys Chia:

Of course there are always opportunities for us to do better. There must be occasions whereby staff made a fault. The point is how to ensure the consistency of the standard of service . . . All feedback from all customers is taken and we always look into the feedback and find out the reasons why there is such a particular feedback and see how we can improve on that and make sure that does not happen again.

#### *Motivating staff through rewards and recognition*

Rewards and recognition is one of the key levers that any organisation can use encourage appropriate behaviour, recognise excellence, and emphasise both positive as well as undesirable practices. 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 (Singapore Airlines, 2004b). 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 recognising service excellence. Staff going the extra mile receive recognition through such honours 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 recognised 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 organisation, 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.

SIA's reward and evaluation system is highly aligned with the desired behaviours. 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 (team-working spirit), and for the crew member in charge, additional factors of people management skills and pre-flight briefing session. Appendix 2 includes more details on SIA's cabin crew performance assessment criteria.

### **Implications and conclusion**

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. In this chapter we discussed the generic strategy and capabilities of SIA, the role of SIA's leadership and the five key elements constituting SIA's HR management (stringent selection and hiring of people, extensive training and re-training of employees, formation of successful service delivery teams, empowerment of front-line, and motivating its people), that helped SIA to build and sustain service excellence at levels consistently above competition over three decades.

Understanding the underpinnings of SIA's competitive success has important implications for organisations more broadly. A first key implication concerns strategic alignment, in particular aligning human resource practices to a company's competitive strategy. This is an important aspect of the ESCO framework (Heracleous *et al.*, 2006) of strategic alignment that suggests that for a company to be successful, the elements of environment, strategy, capabilities, and organisation must be closely aligned. In this context, human resource management is a key part of the organisation dimension, which should deliver the capabilities that support a company's strategy.

At SIA, the HR management practices outlined above enable the development of service excellence, customer orientation, adaptability and cost consciousness capabilities, that in turn support the dual generic strategy of differentiation and low cost, which in turn is the appropriate strategy for the environment of airlines. This poses important questions for the leadership of any organisation, namely: "Given what is happening in our environment, what should our strategy be?" And second, "What specific capabilities must support our strategy, and how can we align the organisation (including human resource practices) to deliver these capabilities?"

A second set of implications concerns specific HR practices such as reward and evaluation processes, and training and development. One common issue in many organisations is a misalignment of the reward systems with expected behaviour (and consequent performance) (Kerr, 1975). In our training and consulting practice we often see this misalignment, for example companies rewarding employees based on individual performance yet hoping for teamwork and information sharing; or rewarding managers based purely on the firm's financial performance yet hoping that

customers receive a great experience through their interaction with the company. To cite a further example, in our profession, academia, people get rewarded chiefly for their research productivity (with rewards such as tenure, full professorship or a post in a world-class university), yet great teaching and earnest performance in administrative duties are also hoped for. At SIA, the reward and evaluation system is fully aligned with expected behaviours, as discussed above and in Appendix 2 where this system is outlined.

Further, with regard to training and development of employees, many companies make the error of viewing training as a cost rather than as an investment; and of those that view it as an investment, many limit the training to technical aspects of the job rather than aiming to develop employees more holistically as at SIA. 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 organisation can stand still. The recent socio-economic crises at the macro-level and the emergence of Asian budget carriers 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.

## Notes

1. According to Professor Damodaran's data, Air Transport industry in the USA has a net margin of 2.59 per cent which places it 84th out of 95, based on this criterion (<http://pages.stern.nyu.edu/~adamodar/>).
2. SIA costs per ASK were S\$7.5 cents in 2005-2006, S\$7.0 cents in 2004-2005, and S\$6.7 cents in 2003-2004. Conversion to US cents was made using [www.oanda.com](http://www.oanda.com) historical exchange rates, based on the average conversion rate during the relevant year.

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### Appendix 1. List of interviewees

Much of the material on SIA discussed in this chapter is based on interviews conducted from 2001 to end 2006 with the following SIA executives (in alphabetical order). Since the interviews were conducted over a number of years, the designations of many interviewees have changed. The list of interviewees below shows the designation of the individual at the time of the interview and any changes in designation since then are indicated in parentheses. We have interviewed some individuals more than once:

- Gladys CHIA Ai Leng, Assistant Manager, Training;
- CHOO Poh Leong, Senior Manager Crew Services;
- Timothy CHUA, Project Manager New Service Development (now Senior Manager Inflight Services (Projects));
- Dr GOH Ban Eng, Senior Manager Cabin Crew Training (now Senior Manager Human Resource Development);
- LAM Seet Mui, Senior Manager for Human Resource Development (now Senior Manager Cabin Crew Training);
- LEONG Choo Poh, Senior Manager Cabin Crew Performance (now Senior Manager Crew Services);
- LIM Suet Kwee, SIA Training Centre;
- LIM Suu Kuan, Commercial Training Manager;
- Patrick SEOW Thiam Chai, Inflight Supervisor, Cabin Crew Division;
- TOH Giam Ming, Senior Manager Crew Performance;
- SIM Kay Wee, former Senior Vice President Cabin Crew;
- Betty WONG, Senior Manager Cabin Crew Service Development (now Acting Vice President Inflight Services);
- YAP Kim Wah, Senior Vice President Product and Service; and
- Dr Yeoh Teng Kwong, Senior Manager, Product Innovation (currently with another company).

### Appendix 2. 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 charge and also oversees other aspects of crew administration/management such as communication, welfare, etc.

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” (OBA) carried out by a more senior crew on the same flight. Elements assessed in OBA are:

- a) *Image* – on grooming and uniform turnout.
- b) *Service orientation* – crew’s interaction and psgr 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 team-work/team-spirit.

- f) *People management skills* – supervisory and man-management skills, development of junior crew; ability to plan and co-ordinate 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 do the assessments occur?*

It varies from rank to rank and is tracked over a financial year (FY).

- a) *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 towards the job and biases/apprehension towards certain passengers.
- b) *Flight steward/stewardess* – minimum four per FY.
- c) *Supervisory crew* – three to four times per FY.
- d) *Crew-in-charge* – twice per FY.

4. *What level of feedback is given to the individual – at the time of checks and cumulatively i.e. 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. 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 pre-determined thresholds. If necessary, the WL will go on the appraisees’ flight to check the crew out personally. The WL can (and often does) call in the crew for a discussion at any time if deemed necessary.

Concerted effort is made for the WL to fly with each crew in his ward at least once a year. The WL will take this opportunity to review/discuss the records of the crew. In addition, the WL 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 shown in Table AI.

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).

Elements	Weightage %
OBA	60
Discipline	15
Attendance record	10
Passenger feedback	10
Ward leader assessments	5

Table AI.

6. How did you train assessors and what level of on-going training occurs to ensure rater consistency? CBT/Classroom, etc.

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 on-going 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.

#### About the authors

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