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People
watch

Keep costs low & fly high

Three professors write new book on SIA's success story

in September.

The trio started their research in 2001 and took a year to write the book titled *Flying High In A Competitive Industry — Cost-Effective Service Excellence At Singapore Airlines*.

University of Oxford Professor Loizos Heracleous, from Cyprus, was the coordinator. He specialises in strategy and organisation, and was previously an associate professor at NUS.

The other two authors are NUS Business School Associate Professors Jochen Wirtz and Nitin Pangarkar who specialise in services marketing and business strategy respectively.

Dr Wirtz told The New Paper that in all his years of research in services marketing in Asia, he has not come across a company like SIA, which is able to achieve what the book refers to as "cost-effective service excellence".

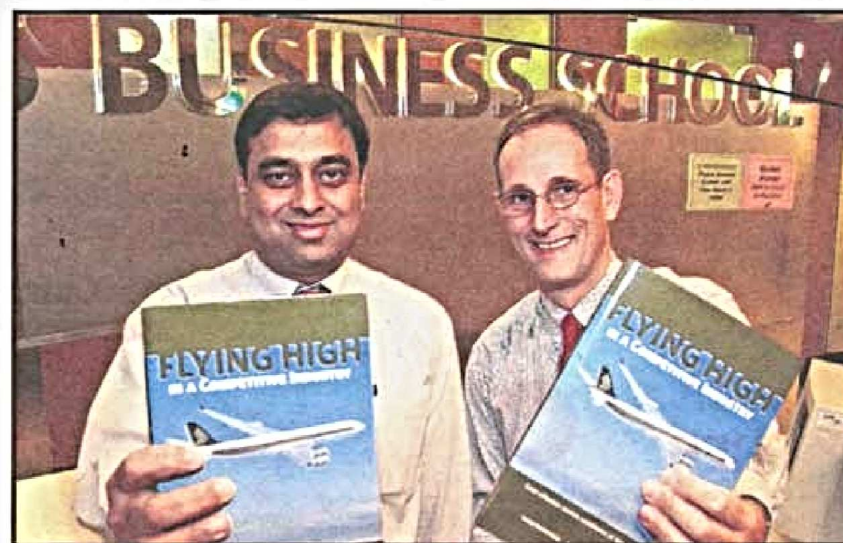
He explained: "On the one hand, it is the service leader and on the other, it manages to keep its costs so low."

"It fascinated me to find out how SIA managed to achieve this."

For Dr Pangarkar, who hails from India, the SIA story became even more interesting for him recently due to the difficulties faced by the airline industry and SIA's resilience in the face of it.

He said the industry is fraught with many factors beyond its control, like fluctuating oil prices and terrorism.

Dr Pangarkar said it was an eye-opener for him to learn about how



Picture: DAVID TAN

◆ Dr Nitin Pangarkar (left in picture) and his co-author Dr Jochen Wirtz, with their book, *Flying High In A Competitive Industry*.

its employees.

The authors also found profit and cost-consciousness cuts across all levels of the organisation as a result of SIA's training and management style.

NO COMPROMISE

But, interestingly, quality is not compromised where customers are directly involved, like with seats, food or inflight entertainment.

"But where something doesn't touch the customer, SIA is very cost-conscious. Just look at its headquarters... it is very modest," said Dr Wirtz, who is German.

And how does SIA achieve so many firsts, like being first to provide video-on-demand or champagne for passengers in economy class?

Dr Wirtz.

Both professors said it was a natural extension for them to write the book as they have each published several academic papers on SIA and often use it as a case study in their classes.

Each author took charge of certain chapters, sending many e-mails to and fro as Prof Heracleous is UK-based.

They stressed that SIA did not have a hand in influencing their analysis or writing.

All in all, 16 in-depth interviews were conducted with staff from both SIA and the Civil Aviation Authority of Singapore.

Funding for the book came from their research funds.

◆ **The hard cover book is available in major book stores retailing at**

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HERE'S a little known fact about Singapore Airlines (SIA) — 16,000 people apply to be cabin crew each year.

But only about 600 get the job.

And for a multi-million dollar company and market leader, SIA surprisingly maintains a "modest" office.

Details like these intrigued three foreign professors at NUS enough for them to write a book about SIA's secrets (see report below).

They wanted to know how SIA stays successful in a fiercely competitive airline industry, where high fuel costs and competition from low-cost carriers have eaten into the profits of many airlines.

Whereas SIA registered a record full-year operating profit of \$1.36 billion last year, three of the four largest American carriers — United, Delta and Northwest Airlines — are operating in bankruptcy. Nearer home, 2005 was also a tough year for Malaysia Airlines, which posted a RM648 million (\$283m)