

CASE
13

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

Jochen Wirtz and Loizos Heracleous

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 Inflight Supervisor

"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, Assistant Manager of
Cabin Crew Performance Management,
and Former Senior Flight Stewardess

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This case is based on the following earlier publications: Loizos Heracleous and Jochen Wirtz (2010), "Singapore Airlines' Balancing Act – Asia's Premier Carrier Successfully Executes a Dual Strategy: It Offers World-Class Service and is a Cost Leader", *Harvard Business Review*, Vol. 88, No. 7/8, July-August, 145–149. Loizos Heracleous, Jochen Wirtz, and Nitin Pangarkar (2009), *Flying High in a Competitive Industry: Cost-Effective Service Excellence at Singapore Airlines*. McGraw-Hill Education (Asia). Jochen Wirtz, Loizos Heracleous and Nitin Pangarkar (2008), "Managing Human Resources for Service Excellence and Cost Effectiveness at Singapore Airlines", *Managing Service Quality*, Vol. 18, No. 1, 4–19; and on interviews conducted with Singapore Airlines by Jochen Wirtz in 2015.

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 towards 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 frowned upon in the US and Europe (e.g., having 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 UK), 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 <https://www.youtube.com/watch?v=mlkNzhM2b70> (Across the World with the Singapore Girl) and <http://youtu.be/P5sGKR6NJBw> (Singapore Airlines SQ Girl), and discuss how these videos might be perceived by SIA cabin crew.

Courtesy of Singapore Airlines



Singapore Girls participating in the Heritage Parade during Singapore's National Day Parade 2015

APPENDIX: CABIN CREW PERFORMANCE MANAGEMENT (PM) QUESTIONS

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

Cabin crew are formed into 45 groups known as Wards, each headed by a Ward Leader (WL). Each Ward consists of approximately 180 crew, comprising of crew of all ranks. The WL is primarily responsible for monitoring the performance, coaching & developing, establishing rapport & communication and the welfare of crew of CS rank and below. WLs report to a Ward Management Leader (WML), who typically has five WLs under his/her supervision. Inflight Supervisors (IFS) come under the management of WMLs.

2. Describe the performance management tool/process that you use to monitor your cabin crew.

The performance of a crew member is measured through 'on-board assessments' (OBA) carried out by a more senior crew member on the same flight. Elements assessed in OBA are:

- a) Image — on grooming and uniform turnout
- b) Service Orientation — crew's interaction and passenger 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 teamwork/team-spirit
- f) People Management Skills — supervisory and man-management skills, development of junior crew; ability to plan and co-ordinate the various services

***Section f is applicable only to the crew-in-charge*

3. How frequently do the assessments occur?

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

- a) Inflight supervisor — two OBAs per FY
- b) All other cabin crew — six OBAs per FY

4. 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).

5. 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 are 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.

This file contains sample pages only. The full case is available in:

Jochen Wirtz and Christopher Lovelock (2016), *Services Marketing: People, Technology, Strategy*, 8th edition, World Scientific.

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