

Improving the turnover rate in abc airlines

[Environment](#), [Air](#)



ABC airline has been a world renowned airline since 1972 and it has gain recognition from many awards such as the Skytrax world airline awards (UK), Travel and leisure magazine (USA) and AB road (Japan). (Singaporeairline.com)

In year 2010, ABC airlines have been awarded the Best airline of the year by Business Traveller (Asia Pacific) for 19 consecutive times. (Singaporeairline.com) ABC airline was once part of Malaysia - Singapore airlines. In 1965, Singapore gain independence and both government Malaysia and Singapore aspire to have their own airline. Hence ABC airlines was born in 1972 and at the beginning ABC airlines was only allow to operate international routes from Singapore. ABC airlines have now evolved to operate to destination all around the world including Asia pacific, Europe, America and Africa. Now, ABC airline is the world's second-largest airline by market capitalization.

ABC airlines mission statement is to be a global company dedicated to provide air transportation services of the highest quality and to maximise the returns for the benefit of the shareholder and employees. In 2010, ABC airlines has been ranked 27th by the fortune magazine for the top 50 most admired companies. (Singaporeairline.com)

ABC airline also has six core values. They are namely: pursuit of excellence, safety, customer first, concern for staff, integrity and teamwork. As of march 2010, ABC airline has staff strength of 13, 392 and cabin crew consist of 6, 787. Recruitment drives are done frequently to deal with the shortage of crews.

Hence, in this report, the researchers are going to discuss about the high turnover rate in the cabin crew department. The researchers will be analysing the reasons to the high turnover rate for the cabin crew and what could be done to improve the situation.

Methodology

In this report, the researchers have decided to perform both primary and secondary research to understand more on the organisation and what causes the high turnover rate. Firstly, the researchers will conduct a job satisfaction survey with the cabin crew to understand their job satisfaction in the organisation. Interviews will also be conducted to understand their job scope.

In the secondary survey, the researcher will gather useful information from the other companies on how ABC airlines can improve and learn from other companies which have loyal employees to them.

Attached in the appendix is a survey done with the 30 employees. These 30 employees have been working in the organisation for approximately 4-8 years. They have been in the same department throughout and were not given any chance for any job rotation and promotion. While performing the survey, employee J commented that working in the organisation has begin to feel mundane and the only reason she is staying is because of the salary. However, she has been having thoughts of having a career switch.

In the following section, the researchers will begin to diagnosis the high turnover issue and understand more about the organisation. Change strategy will also be suggested to improve situation.

SWOT Analysis

The below SWOT analysis depicting the Strengths, Weaknesses Opportunities and Threats for ABC airline will explains its strategic planning and identifying the internal and external environment which are favourable and/or unfavourable to the business and stakeholders.

Strengths

Diversified geographical spread

ABC airline has a diversified geographical spread. It provides services such as passenger transportation; logistics; maintenance, repair and overhaul and aircraft engineering services. Together with its subsidiaries, it has a strong presence in the East Asian region, connecting Singapore with more international destination in the region than any other airline.

The revenues of ABC airline are diversified across all the geographic regions it is operating. East Asia flights accounted more than half of the total revenue. The revenue generated for the airline from all these major geographic regions witnessed significant growth over the years since their establishment as there more destinations added to their flight routes. The diversified and evenly spread revenue base ensures that the airline does not rely on any one market for a majority of its revenues and substantially reduce the business risk (Daniel Chan, 2000).

Young Fleet of Aircrafts

Together with their subsidiary, which includes cargo air transportation, ABC airline operates a total of 120 aircrafts. Furthermore, the airline holds a young fleet of aircrafts. The average age of the company's passenger aircraft is approximately 7 years. (SingaporeAir. com, 2010).

This young fleet of aircrafts represents immense importance in the airline industry as it keeps maintenance costs low in addition to decreasing security issues related to the performance of the fleet.

Weaknesses

Weak Turnover Ratios

The group recorded significantly lower turnover ratios during 2007, in which ABC airline performed worse than industry standards. The company's asset turnover ratio during 2007 stood at 0. 59 times, significantly lower than some of its competitors such as SAS, Lufthansa, and Cathay Pacific Airways (Annual Report 2007). From the figures quoted from DataMonitor 2007, during the same year, the asset turnover ratio of SAS stood at 1. 15 times, while the asset turnover ratio of Lufthansa was 1. 07 times while Cathay Pacific Airways recorded at 0. 67 times, which was also higher than that ABC airline. As a result of poorer asset turnover ratio and asset management, this represents the fact that the management of ABC airline have poorer judgement and system in regards to assets utilization in generating income for the stakeholders. In addition ABC airline registered a weaker inventory

turnover ratio in comparison with its competitors. As a result, this could further affect the airline top line growth for the future

Unbalanced Business Portfolio

ABC airline is engaged in airline operations, airport terminal services, engineering services, and other related activities. The company divides its business into three segments: airline operations, airport terminal services, and engineering services. Though the company operates its business in segments, it heavily depends on the airline operations for its revenues, creating an unbalance business portfolio.

In contrast, the competitors such as Lufthansa, Cathay Pacific Airways, and SAS maintain balanced business portfolio. For instance, during 2006, Lufthansa generated 65.1% of its revenues from passenger transportation, 14.3% from logistics division, 10.3% from engineering services, and remaining from IT services and catering services. An unbalanced business portfolio would hence increase the business risks for the company (Daniel Chan 2000).

Opportunity

Growing Asia Pacific market

ABC Airlines has a strong presence in the East Asian region. The demand for air travel to the Asia Pacific is rising due to the increased economic activity in emerging Asian countries such as China and India. ABC Airlines already has a presence in this region and developing its operations in the recent

period. ABC airline with significant operations in Asia is well positioned to benefit from the emerging airline market (Singaporeair. com, 2008).

Global Airline Market

The global airline market primarily comprising of passenger transportation witnessed stronger growth. This industry generated total revenues of \$318. 6 billion in 2009. Furthermore, it is estimated to reach a value of \$475. 3 billion by 2010, an increase of 49. 2% compared to 2005. The passenger volume is also estimated to reach 3, 270 million in 2010, from the passenger volume of 2, 489. 7 million in 2005, representing an annual volume growth rate of 31. 3% (Annual report 2005).

In view of this growing trend, the group is planning to expand its global fleet size. For instance, in June 2007, the company entered a contract with Airbus for twenty A350-900 XWB aircraft, with options to purchase twenty additional units. With the expansion in the fleet size, the company could be in a position to benefit from the growing airline industry (Singaporeair. com, 2010).

Threat

Rising Aviation Fuel Price

The rising oil prices have caused the price of aviation fuel to increase in the past few years. As a result of the increase of fuel prices, ABC Airlines fuel and oil cost increase tremendously compared to the previous years. This increase in oil prices will have a direct impact on the company's profit margin. In order to make up to the lost of profit, ABC Airlines will have to

increase the cost of its air ticket. This would in turn deter customers to choose ABC Airlines airline and settle for a low cost budget airline (Singaporeairline. com).

Increasing Competition

The emergence of low cost carriers such as Jetstar Asia and Air Asia in the East Asian region has intensified competition. The low fare charged by these budget airlines cause ABC Airlines to lose its market share. Asia's budget airlines are expected to expand their share of the regional aviation market by the end of 2010 (Asiaone. com, 2010).

Furthermore, as a result of increasing business travel, a number of customers are increasingly looking towards air travel options, which allow them to minimize stoppage time at airports. This has led to an increasing number of business organizations to invest in private jets. The growing number of low cost, and low fare airlines and increasing number of private jets could impact the company's market share.

In 2010, Asiana Airline took over ABC Airlines and named the airline of the year. ABC Airlines was the best airline for the past two consecutive years. This shows that ABC Airlines is no longer the best airline and has to come up with a new set of strategy in order to stay number one. (worldairlinesawards. com, 2010).

Nadler & Tushman's Congruence Model

Nadler and Tushman's congruence model of change illustrates the relationship of an organisation and its wider environment (John Hayes, 2010).

The model has a system that draws inputs from internal and external sources such as environmental, resources and history and transforms them into outputs via four components or sub systems which are dependent on each other:

The work itself

The people

The informal organization

The formal organisation

In essence the model represents the dynamics of what occurs in an organisation when we try to change it and the effects on dependency between the sub systems. Figure 1 in Appendix illustrates the key components of Nadler and Tushman's congruence model.

Environment

Cultures

ABC Airlines is a large corporation with more than 13, 000 employees. Therefore, the relationship between the organization and its wider environment is vital. Corporate culture arises naturally from human nature. Hence, lacking of management savvy and bad management behaviour will lead to bad corporate culture.

In a large organization, not everyone will follow the corporate culture. The difficulty of keeping one's perspective in a sustained group is less

achievable. ABC Airlines incorporated an ineffective “ Do and follow my rule” management style. It has reflected a forceful, command and control management that has resulted in bad employee behavior. The psychological tone set by top management and every level of management has to comply.

Organizational culture is built on the behaviors of the employees in the company. Poor management behaviors at any level will naturally affect the level of the subordinates. Hence, leadership management is important to the culture as well. A clueless top manager can create a culture of negativism and poor performance that extends to the bottom of the organization pyramid. Employees from the airline can no longer speak up their personal view but to comply with the managers. This is the culture practice of ABC Airlines and this has indeed causes the employees to be unsatisfied and unhappy in their company’s management.

Resources

ABC Airlines is one of the world’s largest operator of the Boeing 777 family of aircraft.(Anon, 2005b). However, these resources cost more than their liquid capital and therefore resulted in total deficit of 1 million up to date. The total amount of revenue is still insufficient to cover up the losses made by creating the number of aircrafts each year.

Besides having these valuable assets, labour force is also a vital factor for the company. Employees including the pilots are selected based on global labour market. Its cabin crews come from all countries of the Asian region where its aircraft flies. A higher requirement is needed in order to have a

good reputation among the competitors. Therefore, the airline has built a human resource training facility to conduct training and development for their employees.

The airline will only conduct one training programme to all employees before they start working in their respective departments. New training programmes and skills will only conduct to higher management employees. Due to the biasness and no motivation to work, employees started to resign thus causes lower labour forces.

Transformation Process

Task

ABC Airlines had to establish themselves as a genuine competitor and promote the airline internationally to potential customers and future stakeholders. The airline focuses on customer service excellence which has been integral to its airline. In order to transform into a successful organization, employees have to be skillful and knowledgeable to complete the tasks given to them. Positive attitude towards work can lead to happiness and motivation to work.

By giving rewards and recognition to employees can result in job satisfaction and fulfillment among employees. For example, having over-time flight allowances, more annual leave per year and having 4 months maternity leaves are valuable to all employees. Therefore, ABC Airlines should change their regulations in order to avoid high turnover rate every year.

With the stringent rules and regulations given by the airlines, constant routine or demands by the management should be avoidable. Management should provide necessary space or authority to every employee to make them feel at ease and sense of belonging to the company.

Individuals

First and foremost, ABC Airlines need to select their employees meticulously by having sufficient skills and knowledge for their individual job scope. Employees should have sufficient job opportunity to learn new skills. Based on the employees' survey, employees have lesser opportunity to utilize their skills and talents for future advancement. Therefore, via transformation such as conducting regular training can develop employees' confidence even to the lower level management.

As every management level have different perceptions and expectancies in work, each individual will have to seek approval to the higher authority for confirmation and acknowledgement whenever a decision has to be made. Managers who have different expectancies at work will tend to set higher goals to their employees. Hence, background factors of the company are important and resourceful.

Change Strategy

ABC Airlines has implemented many innovative strategies. In order to be an effective organisation, one should be able to keep in line with the external environment. Therefore, having sufficient resources in an organisation can lead to a success to the company. Employees have to be highly efficient,

innovative, being able to produce high quality services and be responsive to customer's needs.

Employees training and development are strongly encouraged in ABC Airlines as they need to provide top quality and services to the customers. The airline should allocate substantial amount of time and money to the employee's training and education.

Historically, airline industry has witnessed that wage inequality though in recent past there has been decline which now same goes to ABC Airlines. Each employee is earning less than their cost of living at the place where they are working at. There is a correlation between wage inequality and high turnover employee as inflation rate is keep increasing and resulted that employee are force to leave their working environment. ABC Airlines need to work with the union and to access or adjust their wages for their entire employee in order to survive in the competitive industry.

ABC Airlines which beginning to recognize the real cost of the poor selection of candidate. They keep making the mistakes of hiring the unsuitable candidate which results in high employee turnover. There isn't having a pool of psychologists and selection specialists to assist them with sourcing of a key executive or to conduct large scale recruitment. Due to the poor selection process and resulted that demoralise and ABC Airlines who need to hire or outsource recruit specialists to have develop sophisticate system and models for the assessment of candidate for their various positions in cabin crew, flight crew, ground crew etc.

Other than the wage inequality, employee's benefits are at the minimum level and it's less motivate for them to work with the company in long term period when they tend to compared with other competitors. ABC Airlines who need to access and provide more benefits in order to encourage the employee to stay with the company such as offer education to employees who want to further their education and remain flexible which allow them have changing family and life needs. Same goes to encouragement, employees who feel they are value by their managers will often go for extra mile on the job.

A customer service is a routine job and not challengers to some of the employee. ABC Airline who do not really understand about the needs of their employee resulted that employee feel bored about it and become unchallenged task to them as well. Hence, ABC Airlines need to provide more challenges job to their employees like job rotation which can enrich their working experience and change in their working environment and as well as their responsibilities.

Leadership is playing an important element or required skills in the working environment especially in the competitive airline industry. ABC Airlines is facing the leadership problem who can't deliver the satisfactions leads level to their subordinate. In the next section , we are going to discuss in depth about the various change strategies that can improve the high turnover rate issue.

Implementation Plan

Implementation is the step in the change process that involves taking action to bring about change. From the diagnosis made in the earlier sections, it is concluded that the following change strategies would be implemented in ABC Airline, namely; motivation, training and development, high performance management and communications.

Motivation

Often enough people are motivated because of the expectation of outcomes and/or rewards. Hence by adopting the framework of expectancy theory whereby it considers how expectations influence motivation would be beneficial in motivating ABC Airline's employees.

According to expectancy theory, employees of ABC Airline would expect or have belief about the relationship between effort, performance and valued outcome that will determine whether he/she would be motivated to support or resist a change.

Therefore in order to motivate employees of ABC Airline, it is important that rewards and benefits are in place as employees would foreseen the valued outcome as asserted by expectancy theory. At such revision and adjustment of the flight allowances and basic salary would prove to be the driving factor to further enhance work performances from employees. A component of monthly variable income would be introduced in accordance to employees' monthly performance. This would further create a sense of commitment and motivation in further enhance work performances and relationship.

In addition, benefits such as free air tickets to employees and their immediate family members is also a beneficial strategy for both the airline and employees. This would encourage employees having a “ work-life balance” and would see as the appreciation of the airline for the effort of employees work and also the understanding of their family members. This will motivate staff to look forward to spend quality time with their love ones abroad.

The increase in the number of flights leads to a hectic work schedules for the staff. ABC airlines can increase the number of off days so that its staff can have adequate amount of rest so as to show better performance and provide quality service at work.

Besides reward motivation, real leadership is required in order for employees to stay committed and stay motivated for work especially in an airline industry. According to our survey, many does not feel a sense of belongingness to the airline as it might be one of the reason that employees does not feel that the presence of strong leadership. Strong and motivational leadership is essential for employees to compete effectively and deliver growth to the airline. People look to leaders to bring meaning, to make sense of the seemingly unquenchable demand for results and the need for individuals to find purpose and value (Chapman, 2004).

As supported by Chapman (2004), leadership is the common thread involves translating strategy into results and is the key to engaging the hearts and minds of employees. Whether leaders or even managers are distilling strategy to achieve clarity of intent, engaging employees to drive the

strategy into action process to enhance the growth and employee excellence and loyalty, effective leadership will make the difference.

Although by increasing the cost of employee's payroll and benefits would lead to higher operating expenses incurred by the airline, in a long run, the results of a higher morale and motivated group of employees would definitely prove to be beneficial for the airline, including its financial position. It is also important in having a good leader within the airline to set forth the action agenda for employees to follow.

Training and Development

Based on the employees' survey, employees have lesser opportunity to utilize their skills and talents for future advancement. Therefore it would be wise to implement continuous courses for employees to up-skill. For example, courses such as maintaining a professional image, communication skills and other soft skills would not only develop employees interest and are more willing to flaunt what they have learned during the courses at work.

However, training and development not only restricts to classrooms type teachings. Providing each and every employee a mentor or career coach would enable the senior and more experienced level of employees to share with the junior employees their experiences and guidance along at work. This would allow employees to feel that they are being valued and treasured for their presence at the airline and that they would able to establish a long and rewarding career.

High Performance Management

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Staff will find it hard to adapt to the different style of management by different superiors. As a result, they will tend to get confused and frustrated which in turn affect the morale and work performance.

As Bailey (1993) notes that the contribution of highly skilled and motivated employees will be limited unless their jobs are structured in ways that allow them to apply their knowledge and skills in order to improve the way they perform their jobs.

At such, a standardized methodology or management style should be adopted to avoid this confusion and discomfort during work. Moreover, cabin crews should be given more empowerment to handle situations that deem fit. This would drive higher work commitment and employees confidence and as a result which can produce savings by reducing administrative overheads. Delegating more responsibility to people further down the airline eliminates the need for many supervisory roles and would also enhance the relationship between the employees and the management as advisory guidance and information can be exchanged and shared.

In addition, selecting and recruiting a pool of quality and driven recruits would potentially ensure higher morale employees. At such, not only management is involved in the selection of potential candidates, a specialist in human resource recruitment could also be adopted in selecting the best people from the pool of candidates.

Communication

A frequent saying in business is, “ No news is good news.” However, employees want regular updates on the progress of their personal performance. ABC Airline can adopt using memos, email and one-on-one and group meetings to keep the staff apprised of recent industry and internal changes, updates and new products.

As equally important, showing respect and appreciation to one another are integral to every solid relationship and key to peak performance. According to the employees with whom we spoken to, many managers understand the importance of respect, but fall short when it comes to recognizing the efforts of their employees and colleagues. Time after time respondents told us that lack of appreciation had them looking for a new job.

Employees nowadays require continuous assurance that the work they are performing is satisfactory. They welcome criticism, both negative and positive as it equips them with the necessary information to improve their processes. ABC airlines can introduce feedback procedures such as appraisals every quarter or half-year should also exist to formalize the process.

Reviewing change and sustaining change

Upon completing the diagnosis and coming out with the various implementation plan, the change has not come to an end. In order for the change to be effective, it depends greatly on the managers in charge to constantly revise and review to change to ensure that the change is still on route with the management core values. The managers have to be committed when implementing the change to ensure that the change does

not only benefit themselves but also the organisation. When providing better benefits for the employees, the managers has to ensure that the employees do not can complacent and neglect the high customer service standard that they have to uphold for the organisation. If the plan proves to be successful, the change has to be continuing even when new management team comes in.

Appendix

Source: Maurice Yolles, 2004

Figure 1: Nadler & Tushman's Congruence Model

Survey

Job satisfaction Survey

1)

How long have you been flying ?

(A) 1-12 months

(C) 3 years - 5 years

(B) 1 - 3 years

(D) 5 - 10 years or more

2)

How old are you ?

(A) Below 20 yrs

(C) 30 - 35 years

(B) 20-30 yrs

(D) 36 years old or more

1

2

3

4

5

Not Satisfied at all

Somewhat satisfied

Extremely satisfied

Using the scale shown above, rate your level of satisfaction with the following aspects of your job

3)

GENERAL WORKING CONDITIONS

____ Hours worked each week

____ Flexibility in scheduling

____ Location of work

____ Amount of paid vacation time/sick leave offered

4)

PAY AND PROMOTION POTENTIAL

____ Salary

____ Opportunities for Promotion

____ Benefits (Health insurance, life insurance, etc.)

____ Job Security

____ Recognition for work accomplished

5)

WORK RELATIONSHIPS

____ Relationships with your co-workers

____ Relationship(s) with your supervisor(s)

____ Relationships with your subordinates (if applicable)

6)

USE OF SKILLS AND ABILITIES

____ Opportunity to utilize your skills and talents for future advancement

____ Opportunity to learn new skills

_____ Support for additional training and education

7)

WORK ACTIVITIES

_____ Variety of job responsibilities

_____ Degree of independence associated with your work roles

_____ Adequate opportunity for periodic changes in duties

_____ How much empowerment you have in the organisation

_____ Do you have a sense of belongingness in the organisation

_____ How effective is the performace appraisal

8)

What is the most outstanding component/factors that outshines the organisation ?

(A) Advertising

(C) Employees image

(B) In-flight service

(D) Management style

9)

Do you see yourself in the organisation for the next 10 years.

(A) Yes

(B) No

10)

If you are leaving the company , which of the following are the reasons for leaving. (Please tick not more than 3)

___ For better career advancement / promotion

___ Dissatisfaction with pay

___ Lack of training and career development

___ For health reason

___ Dissatisfaction with management style

___ Working hours

___ Work environment

___ Maternity

Survey Results

Survey Result Percentile Analysis

PART 1

1) How long have you been flying ?

PAY AND PROMOTION POTENTIAL

A) 1-12 months

13%

Salary

B) 1-3 years

27%

1

0%

C) 3-5 years

50%

2

23%

D) 5-10 years

10%

3

40%

4

27%

2) How old are you ?

5

10%

A) Below 20 years old

10%

B) 20-30 years

70%

Opportunities for Promotion

C) 31-35 years

20%

1

47%

D) 36 years or more

0%

2

33%

3

20%

PART 2

4

0%

Legend

5

0%

1

Not Satisfied at All

2

Not Fairly Satisfied

Benefits (Health insurance, life insurance, etc.)

3

Somewhat Satisfied

1

7%

4

Fairly Satisfied

2

27%

5

Extremely Satisfied

3

40%

4

13%

5

13%

GENERAL WORKING CONDITIONS

Hours worked each week.

Job Security

1

0%

1

43%

2

10%

2

20%

3

70%