

The birth of singapore airlines tourism essay

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



Strategic Management is a term that is not new, first used in the 1970's it was conceived that a team of strategic planners would come up with strategic ideas to sell to decision makers. It is all about identification and guideline used by the managers in order for the company to have a competitive edge over the competition. Joel Ross & Michael Kami(Fred 2011, 35) mentioned that; Without Strategy, an organization is like a ship without a rudder, going round in circles. It's like a tramp; it has no place to go.

According to Wheelen and Hunger(2006, 3) A set of decisions and actions that are used to charter the performance of a corporation can be defined as Strategic management. The process of this would take into account the scanning of external and internal environmental factors, long term and strategic planning for strategy formulation as well as the implementation and evaluation and control process. Wheelen & Hunger(2006, 3) strongly focused on the analyzing and evaluating of external opportunities and threats compared to the company's strengths and weaknesses. A SWOT (Strength, Weakness, Opportunities and Threats) analysis is an ideal tool for strategic managers to plan for both predictable and unfeasible contingencies.

In the point of Dess and Miller(1993), the combination of three major interrelated activities; strategic analysis, strategic formulation and strategy implementation can be called strategic management. These activities are a continuous process that helps evaluates and controls the company and the industry it is in, benchmarks the competition and set realistic targets and strategies to meet its existing and potential competition.

Lamb(1984) states that strategic management is a continuous process that evaluates and controls the business and industries the company is in; it also assesses the competitors to set goals and strategies then reevaluates them every quarterly or annually to decide on the implementation of the strategy is successful. It then reevaluates the if there is any new factors such as technology, competition, economic market, social, financial and even political environment that can be used to create a new strategy.

As a summary, Strategic Management and Planning is the understanding of the process of strategy formulation, implementation and evaluation. For company an organization to gain the edge over its competition regardless of size, scale; each organization needs to have a well planned strategic management in order to strive and compete in the market while optimizing its potential for tomorrow's trends of today.

Background of company

The birth of Singapore Airlines was from Malaysian Air Limited where it first started in 1947, because of political reasons, the company was renamed to Malaysia-Singapore Airlines and finally the company split its shares to Malaysian Airlines System and Singapore Airlines in 1972 on which Singapore Airlines is owned by Singapore state owned investment house; Tamasek Holdings

Singapore Airlines was forced to focus on the international market that was subjected to intense competition because there was no domestic route available to after the separation. The difficult start of was one of the factors that drove Singapore Airlines driving spirit to compete and dedication to

branding. It started the branding strategy by engaging a French haute-couture designer in 1972 to come up with a special version of the Malay Sarong Kebaya for the airline stewardess uniform and adopting a branding 'Singapore Girls' that provide top quality in-flight hospitality. This feature became one of the most recognized signatures for Singapore Airlines.

The human resource management area was given a booster with an investment of 20million for its training facilities. With a good marketing strategy and sound backing, the return was shown at 1973 when SA was ranked 3rd for the Asian region. But in 1973 to 1977 period was forced to cut cost due to the surging oil prices. Singapore Airlines joined its operations with British Airways to provide its Concorde services but was terminated in 1980. Even though the collaboration was a failure, it took advantage of the marketing campaign to made itself known around the globe. At the same time, Changi Airport was constructed thus leading the industry to higher service standards. With all that in place Singapore Airlines became the top preferred Airlines for the Asia Pacific region in 1981.

Singapore Airlines experienced a steady growth rate in the 1980s with expansion of its fleet and routes, it was privatized in 1985 and listed in the stock exchange with Tamasek Holdings owning a 63% of the company and was gradually reduced to 54% in 2008. SA underwent changes in the 1990's with changes made to cater for the lower cost market segmentation as well as the SA engineering focus on increasing productivity and pursuit of better opportunities for business. The globalization in 1990 also made the airline expand overseas as well as investing on other companies. With its strong

financial backing, it spend to renovate its fleet, thus giving benefit to the airlines during crisis allowing the airlines to have more bargaining power over its supplier (Scott, 2008) To date, SA group has provided a wide variety of services for the aviation industry from passenger, cargo, terminal, engineering, training and even tour services as a whole. The airlines operates over 36 countries with weekly flights to them.

Organizational Structure

The organization is divided by function and its disadvantages as the low responsibility of the bottom staff as well as the compartmentalization on its managers. In order to tackle this, SIA have made their organization chart more flattened with fewer levels of hierarchy in the organization, thus allowing empowerment and creation of a flexible and yet dynamic business that allows its employees to make decisions to leads to job enrichment. SIA also encourages independence and encourages its senior staff to train and low its junior employees to make decisions.

To overcome the job compartmentalization, non technical managers are rotated on the job and thus allow them to have a better view of the organization for a better picture. The SIA management also stresses for the importance of maintaining a healthy and good work culture. Teamwork and collaboration is placed high on importance by the company.

With the growth of the company and expansion of sales office to over 80 countries, the sales operations have been divided to geographical areas. To overcome the problem of control, the company focuses on the end result objective empowering its site managers to have flexibility and to make

adjustments based on the situation. Full power is given to the overseas regional general manager to make decisions and to respond promptly in order to deal with local problems and to customize the operations to suit the local scene.

In general, SIA is slowly decentralizing its organizational structure and it encourages autonomy allowing faster response to the business thus creating opportunities that are vital in the fast and dynamic airline industry.

4. 0 Analysis of External Environment

4. 1 Political

The political environment of Singapore is stable with its dominant political party People's Action Party (PAP) controlling the government since the independence. Singapore government has allowed the freedom in corporate governance and has little set restrictions to the industry. Singapore Airlines make 90% of the decision on its own and has only influence the appointment of the director over the company (Sikorski, 1995). Singapore Airlines was allowed to stress on profit in comparison with public or social responsibility and was even backed by the government during its retrenchment practice during the economical crisis. (Sikorski, 1995)

With a strong foreign policy that maintains good relationship with 175 countries, Singapore has a particular good relationship with huge economical countries such as France, United Kingdom, and Germany. It also has a mutual free trade agreement between Japan, Korea, Australia, New Zealand, India, United States of America and recently with China in 2008. With Singapore signing the Gulf Cooperation Council-Singapore Free Trade

Agreement in December 2008, it embarks to build strong ties with the middle east countries as well.

Singapore is a stable base for the operations for SIA comparing itself to other regions in the Asia Pacific that have seen unrest over the recent years.

Terrorism alerts affected some countries in the Asia region with India(2008) and Pakistan(2009) hit with the lost of hundreds of life. The tourism industry for Thailand was affected in 2008 during the protest and heavy floods as well as the Tsunami event that happened in Langkawi, Malaysia as well as Thailand that affected the influx of tourist there. There was also the riots in China and the Korean Missile crisis that effect the Singapore Airlines to re-route its flight to other locations.

4. 2 Economic

Financial Crisis in 2007 affected many countries over the world that brought recessions to most of the affected countries. This slum lasted through 2008 that made the global financial institutions very cautions on its loans of money and many companies had to underwent a cost cutting measure to stay afloat. The IMF predicted the regeneration of the world wide economy by 2009 and it the up market trend has steadily grown from there.

The Singapore Tourism Board (STB) also contributed to promote Singapore as a destination for MICE (Meetings, Incentives, Conventions and Exhibitions). In SGD 90 Million BOOST (Building on Opportunity to Strengthen Tourism) program was launched in February 2009 and was followed up in October with an announcement for a new Tourism Compass 2020 roadmap to grow tourism 2015, with the goal to set Singapore as the leading city for

MICE (STB, 12 Oct2009). The growth was further spurred by the building of two integrated resort projects, Marina Bay Sand and Resort World at Sentosa. Singapore has also continued to host the Formula One Night Race and with all this factors surely has a positive impact for the travel and tourism sector for the country.

4. 3 Social Cultural

Singapore's population comprises of more than 75% Chinese, followed by Malay and Indian; the main religion of the country is Buddhism, Islam, Christian, Taoism and Hinduism. Having a rich Asian culture in the country, Singapore is one of the most westernized countries within Asia. With the growing China economy and its open door policy; Singapore has landed a great pool of foreign labor arriving from China. This in return has created a cultural conflict among many Singaporeans. With a highly diversified culture with close to 35% of its population is non citizen residing in the country, (25% of is foreigner and 10% are permanent resident); Singapore can be considered as an immigrant country. Although having high non-citizen to citizen ratio, the country never stops to promote foreign talent and believes that if the immigrant policy were to be stopped, Singapore would face a shortage of quality labor.

Having a strong Chinese influence over its working culture that has made it a culture of high in power distance with the lower employees accepting the subordinates positions that seldom questions the managements decisions. The working culture also stresses on good team work and maintaining group harmonies. (Warnstam, 2007). This has made Singapore to become a very

cooperative employee to employer relationship and its labor union is in good terms with companies throughout.

4. 4 Technology

The growth in the usage of Internet around the globe has prompted the growth of customized web addresses to be used around the world. This has also given the potential for the usage of Chinese characters to form the web address (Choe, Oct 2009). With the emergence of such technological advancement, the electronic devices has also evolved to become more portable with increased performance and now almost every household in Singapore would have a portable laptop, hand phone and digital cameras loaded with personalized music, games , photo and video.

The growth of such technology has prompt an expansion of innovation over the past decade. The development of high speed networks and compression has allowed faster transfer of data and transfer rate, resulting in the availability to have high quality real time video conferencing with people around the globe from the office or even without leaving the house. This has made it a very good substitute for companies to use instead of having to send its employees for business travelling. (Yu, 23 Jun 2009).

5. 0 Evaluate Current Strategic choice and implications

5. 1 Analysis of Current Strategic Position

5. 1. 1 Financial position

Singapore Airlines has maintained its profit over the years, the group has maintained its profit even through the 2008 financial crisis. After the growth in 2009 the group assets are worth SGD 22. 04 million and debt of SGD 1.

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077million with an equity debt ratio of 0. 08. With a general reserve of SGD 11. 264 million the company is poised to be able to sustain its operations in any case of crisis. (SIA, Annual report 2012)

5. 1. 2 Product position

Carrier

RPK

(Million)

SIA

90, 128

Cathay Pacific

90, 975

Qantas

99, 176

Total of AAPA member

550, 014

Table 1 Comparison of RPK

Airlines market size can be measure by Revenue Passenger-Kilometer (RPK). Having based in Asia Pacific region, SIA, Cathay Pacific and Qantas all falls into the same category of medium cost, developed airlines. These airlines

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have similar offering and price level. It can be seen that SIA, Cathay and Qantas have market share of similar size [AAPA, 2009].

The company is ranked number two in Skytrax Best airline award; the airline is in the top five ranking for 10 out of the 12 award Skytrax have. The airline has the Best 1st Class and best in-flight catering award in 2009. The only part the company don't have a ranking is on the airport lounge service [Skytrax, 2009].

5. 1. 3 Marketing capability

The initial distribution of SIA is mainly by the travel agents or through internet bookings, SIA has come a long way by providing a ticketless system for its passengers that even allows boarding as well even for connecting flights with its partner airlines (SIA, 2009). SIA also engages social networking website in Facebook though quite limited in its presence. This is a drawback with the current trend of younger generation who associates more with social networking sites.

Another factor that is a slight disadvantages for Singapore Airlines is that the domain [www. sia. com](http://www.sia.com) and www. sia. com. sg is not owned by Singapore Airlines, but to counteract this, they company has engaged to actively publish itself as the preferred search referee if anyone searches for SIA online. SIA has also made good placement in the search engine for using the key world " Singapore airlines" and " Air Ticket Singapore" which prompts SIA at the top of the search list.

5. 1. 4 Organizational structure

The organization is divided by function and the disadvantages of low responsibility for the employees at the bottom as well as the compartmentalization on the managers. To overcome this, SIA has flat organization chart with few hierarchical levels for its organizations, this enables autonomy and create a more flexible but yet dynamic business that empowers its people to make decisions and lead to better job satisfaction. The promotion of independence and encouraging its senior employees to train and give chances to the junior personnel to make decisions are a key factor for SIA.

Non technical management personnel are rotated on jobs and this gives them to have a broader perspective for the job. This is further strengthening by the stress on the importance of having a good and healthy work culture for the company. Great importance is stressed on having good team spirit.

To overcome sales operation issue, SIA has focused on end results while giving its site managers to exercise flexibility to make necessary changes based on the situations. The full power is given to its overseas regional general manager to ensure fast response time for local issues and a more localized business operation to site the climate. The company focuses on the growth strategy that focuses more on profitability rather than size, thus allowing slow and steady growth with chances for leaders to be groomed properly.

In general, the organisational structure of SIA is decentralise encourages autonomy allowing quick response to business treat and opportunity which is crucial in the airline industry which are very fast and dynamics.

5. 1. 5 Human Resources

SIA has a strong emphasis on human resources. The requirements for entry level to the company is only for diploma holders are accepted, these employee would then go through the recruitment process. After the appointment, these cabin crew is trained for 15 weeks, 2 times longer the industrial standards. The SIA employees have a 6 month probation that needs to be reported continuously by their supervisor with a confirmation rate of 75% while 20% will be on extension. These trainings are changed periodically to adjust to show the customers expectations. While on the job, the employees are also required to engage in various voluntary community services, arts and cultural activities.

Refresher courses will be available for employees allowing 3 to 4 days per year, this is a form of motivation for the employees to engage in self learning and the employees will be accountable for their own growth and development. Results from these stringent training has been obvious by producing Stewardess that have high esteem, motivated and capable in handling the customers in the company's best interest (Heracleous and Wirtz. 2009).

The focus on talent form within the company, the company focuses on development of the human capita given training spending of SGD100million

for its employees. The company also offers scholarship programs for recruiting management trainees from the universities.

5. 1. 6 Condition of facilities and equipment

Having one of the newest fleets in the world, with an average age of 6 years, Singapore Airlines is one of the most updated planes compared to the worldwide average of 15 years (Prystay, 28 Aug 2009). By adopting the newest planes and technology this impacts in the reduction of maintenance and petrol cost. Other than that, SIA also went through an upgrading of its plane cabins to provide customers with the most updated entertainment systems and a better seating arrangement.

Training equipment for its pilots is also provided from the SGD 1 million flight simulator that is capable of simulating the high altitude scenario. SIA also updated its training center in 1999 to ensure the recruitment is capable to facilitate a better and efficient training environment.

Overall the airlines does have a great training facilities for its personnel as well as their commitment to bringing top quality service with a strong financial background but because of the financial crisis in 2008 and the lack of demand over supply, SIA is laden with excess aircraft that has not been utilized.

5. 1. 7 Past objective and strategies

SIA corporate level uses a diversified strategy whereby it expands its business to airline catering, airport terminal services as well as into aircraft maintenance. These dual strategy in cost leadership and differentiation

enables SIA to have excellent cost efficient service through high business efficiency.

SIA has secured its high business competence through the execution of five organizational systems. The first is the structured service development and design that allocates dedicated departments for its enhancement of service and thorough testing to ensure that there will be a quality service that will be able to meet the latest customer's expectations.

Second is the focus on consumer trends over the years, with a specific department that monitors closely to ensure that innovation is tailor to focus on improving and enabling a cost effective and highly productive service innovation. The focus will also be on the company's weak point, adapting the best practices from other successful developments while reducing the cost and risk involved for the innovation.

The third set is the focus on a profit conscious culture, with the education of its personnel on the priority of profit and customer satisfaction. SIA also focuses on a reward based system that gives proper recognition to employees based on their performance to encourage team work and productivity while reducing wastage.

The fourth is the goal for the organization to achieve success through the diversification and infrastructure of its subsidiaries. These integration allows the focus and control that will enhance the knowledge while reduction of cost at the same time. The management of its subsidiaries is based on a clear

expectation that enables the subsidiaries to be subjected to market discipline.

The last focus for the company is the development of its personnel through training and development while encouraging the development of a direct self continuous learning system to boost their self esteem.

The overall strategies that SIA has adopted has made the company to have a high competence core with the overall ability to achieve a differential offering through exceptional levels of efficiency (Heracleous et al 2009)

6. 0 Strategic Potential & Justifications

Choices for strategy for SIA should be based on the logical elements for the process and have a central role. The company should focus their choices of strategy through based on the internal and external factors while taking into account its core competency to strive for profitability and service excellence of its personnel.

Strategic Choices for Singapore Airlines

Business Level Strategy

Corporate Level Strategy

Direction and Method of Development

Strategy for competitive advantage

Adhere to government regulation and satisfaction

Internal training and development

Profit measurable success for strategies

Diversification in market

Creation of value added services to gain competitive advantage

6. 1 Business Level Strategy

Price Based Strategy

This strategy takes into consideration of the product to price to gain a competitive advantage. There are many low cost airlines company as of this moment that is conducting business in the Asia region. This causes the market to be very competitive and Singapore Airlines is one of such company that faces challenges. Low cost airline companies such as Air Asia is one of the competitors that are focusing on the usage of price based strategy to capture a market share in the current market.

Justification:

Acceptable and feasible pricing strategy:

The focus for the price based strategy is important as the current completion from the low cost airlines also focuses on the same routes of travel while providing a lower air fare. One of such routes traveled is from Singapore to Bangkok, from this example, Air Asia is selling its seats for a round trip for a price of \$150 while compared to SIA that cost \$500. Because of this the company is losing money as customer trends are now slowly switching over the low cost seats.

<http://htmlimg1.scribdassets.com/4abs74bzsw9yk25/images/16-b0f782e011.jpg>

4. 2 Corporate Strategy

Direction Policy Matrix

Used to measure the health of the industry for the Asian regions and the capabilities of Singapore Airlines. Below is the representation of Singapore Airlines in comparative to Air Asia ad MAS in the Asian Region.

<http://htmlimg1.scribdassets.com/4abs74bzsw9yk25/images/17-978ec5a00e.jpg>

Source: Johnson G, Scholes K. 2005. P 320

Justification:

Acceptability & Feasibility of Directional Policy Matrix

From the analysis it can be seen that the market positing of Singapore Airlines is aimed towards the middle business class strength that offers a highly attractive market. The bargaining power, threats for substitute and competitive rivalry is high for the Singapore Airlines. In the event of a cost increase for jet fuel to USD 115/barrel, the supplier has the upper hand the the treat of substitute is potentially high for the market. For this the feasibility and acceptance of a directional policy matrix for Singapore Airlines is High.

6. 3 Directional and Method of Development

TOWS Matrix

Through the analysis of the internal and external environment, the generation of a TOWS based matrix. This will enable Singapore Airlines to focus on the strategic options available to cater for any potential changes or adapt strategies to further strengthen its market share while limiting its weakness.

<http://htmlimg2.scribdassets.com/4abs74bzsw9yk25/images/18-6f7d0e3282.jpg>

Using the strength and opportunity for Singapore Airlines, there is potential for market diversification. To overcome the potential threats, SIA can have a merger or acquisition with certain airline companies. Avoidance of weakness for Singapore Airlines can adopt a cost leadership strategy. The airlines can develop their internal factors to avoid the threats and weaknesses.

Justification

Diversification:

The current airline industry for the Asian region is highly competitive. There are many airline operations in the region and one of such competition comes from the low cost airline Air Asia. Air Asia flies twice daily from Malaysia to Guangzhou. Currently Air Asia has 86 routes that offers no frills service and has garnered wide recognition from the china market comparing to Singapore Airlines which has 88 destinations in 38 countries. Singapore Airlines would need to strengthen and diversify its market by planning out

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more feasible routes to high business locations and take a competitive advantage through expansion of the Asian market.

Merger and Acquisition:

Singapore Airlines needs to have a strong understanding on its competition and to avoid the threats they possess. With their strong financial background, the potential for merger and acquisition is a great choice for Singapore Airlines. Currently there are two national carriers that are seeking to limit Singapore Airlines to access their home market thus slowing down the growth for the airline. Because of this Singapore Airlines joined the Star Alliance to take advantage of its international strategy. This is also boosted by the investment of SIA groups into China and India to ensure strategic alliances with the local organizations for their cargo divisions, airport services, engineering and catering.

Internal Development

During the previous years, Singapore Airlines recorded a low asset turnover ratio in comparison with its competitors. Because of this, the weaker asset turnover ratio has a potential to show that the companies ineffectiveness to utilize the assets to generate profit and will eventually lead to the decline in the groups growth. Singapore Airlines can adapt to this by using better use of information technology to enhance its services to the customers and gain back better response and efficiency. Singapore Airlines website is now one of the most advanced and user friendly in the industry that offers the customers to check their schedules, buy tickets, check in and manage their accounts as well as even choosing the meal for their flights. Because of this value added

service, the company is able to further maintain its market share and slowly cover up the losses by creating a portal for customers and potential clients to interact with Singapore Airlines. The efficient use of IT has proven to significantly reduce the cost and enhance service levels for Singapore Airlines.

Conclusion

Singapore Airlines is the national carrier for Singapore and is one of the industry leaders in Asia. Currently the operations route carries Singapore Airlines to South East Asia, East Asia, Europe, Middle East and the Australia. The analysis for the external factors indicates that Singapore Airlines does face some barriers due to the international economic and political sector. The prices of oil over the years have been very volatile and would play a major impact on the profitability of the airline industry. Other than that with some ups and downs in the economy and the growth of high speed networks through the usage of information technology has played an impact for the overall performance in the airline industry in general with people become less mobile while still being able to work with their counterparts across the globe.

The internal factors with the successful branding of Singapore Airlines is one of the drawing factors that is able to sustain its competitive edge as well as with strong management background that ensure a quality of service for its customers gives the company its core competencies. For Singapore Airlines to keep evolving towards the new market trends, the company should take into account the internal and external surroundings.