

Organizational structure of airasia

Environment, Air



1. 0 Introduction

Nowadays, the use of information technology plays a vital role for businesses to compete and succeed. According to Laudon and Laudon (2010), almost all firms and organizations use information technology to survive; they invest in information technology and systems because these investments will return a lot of advantages, such as; an increase in productivity, a decrease in costs and an increase in revenue. Information systems provide information for managers which help them to make better decisions and improve operations. This assignment will look at the largest low cost carriers in Asia Pacific region - AirAsia Berhad, which is known as AirAsia. In this work we will analyse how organization has successfully used information technology and systems to improve their business. In addition, this paper will look to IT strategies of Air Asia and to some businesses processes within organization where information systems were successfully implemented.

Organization background

If you want to understand today, you have to search yesterday. (Pearl Buck)

Generally, without past, there is no future and everything in our life has his history. Thus, it is brief Air Asia's background:

First of all, AirAsia was founded in 1993 by Malaysian government as a second airliner to the major national air company MAS (Malaysian Airlines) and AirAsia started operating after three years on 18th November 1996.

During the following 5 years, AirAsia failed every year to bring profit, as a result; AirAsia had a great debt of about USD \$ 37 million in 2001. However,

this time is the time when the real story of the largest low-cost airlines began. In 2001, Dato' Sri Dr Tony Fernandes with partners Dato' Pahamin Rejab (former chairman of Air Asia), Dato' Kamarudin Meranun, and Dato' Aziz Bakar purchased the AirAsia from Malaysian owner HICOM Holdings Berhad (now known as DRB-HICOM Berhad), for a symbolic price RM1 (USD 0.25 cents), and agreed to close the debts of the company. (AirAsia Annual Report, 2008, p. 3)

They started with an innovative goal to make air travel cheaper and more affordable to people that " Now Everyone Can Fly". AirAsia was re-branded and re-launched and started new life with two Boeing B737 planes, approximately 250 staffs and had only five destinations to Kota Bahru, Kota Kinabalu, Kuching, Labuan, Langkawi and Penang. According to AirAsia website, today after 10 years Air Asia has around 100 air planes and flies to more than 60 destinations from 23 countries. Additionally, Air Asia operates more than 3,500 flights a week and has around 8,000 staffs. In 2009 AirAsia ferried more than 22 million passengers and AirAsia is ASEAN (Association of South Asia Nations) carrier. (AirAsia Annual Report, 2009, p. 4)

It can be clearly seen that AirAsia has made a tremendous success in airline industry and it is interesting to know what and how managers of AirAsia use to achieve this fantastic outcome. It will be described later in following chapters.

Organization Vision and Mission.

Nowadays every organization has mission and vision statements, which show what organization is - (mission) and a view of what organization wants to be

- (vision). (Harrison and John, 2009) In addition, the mission statement of the organization must be broad because it is an umbrella which encompasses organization's programs and services. (Angelica, 2001)

1). AirAsia's Vision:

Continue to be the lowest cost airline in every market we serve.

2). AirAsia's Mission:

- To be the best company to work for whereby employees are treated as part of a big family
- Create a globally recognized ASEAN brand
- To attain the lowest cost so that everyone can fly with AirAsia
- Maintain the highest quality product, embracing technology to reduce cost and enhance service level (AirAsia website)

Business Strategies and Success factors.

" Without a strategy the organization is like a ship without rudder, going around in circles". (Joel Ross and Michael Kami)

Air Asia Success factors.

AirAsia has achieved a tremendous success since its " renovation". Because of some success factors AirAsia gets some competitive advantages in airline competition. By using it AirAsia is the best lowest cost airline company in South Asia. The key point of Airasia's success factors is to deliver low fares is to consistently keep costs low. Providing low costs needs the high efficiency in every part of the business. Thus, every part of organization, every system process, everything must incorporate best industry practices. AirAsia'a

success factors can be analyzed in the core values of the organization.

AirAsia gets competitive advantages and makes their business successful by using these key strategies:

Safety First -Safety is the most vital criteria in every part of the organization operations; safety is the area where AirAsia will never compromise on. All conditions, which determine by regulators in the countries where AirAsia operates, are complied by the largest low fare airline. Furthermore, partnering with the world's most renowned maintenance providers to be ensured that AirAsia's airplanes always in the best condition.

High Aircraft Utilisation -The AirAsia airplane captains' ability, to make a fast turnaround of 25 minutes which is the fastest in the region, is more convenient for customers to travel. It has resulted in high aircraft utilisation, better airline and staff productivity and lower costs.

Low Fare, No Frills -Providing to guests to have the choice of buying exclusively prepared meals, snacks and drinks from in-flight service at an affordable price.

Streamlined Operations -The important key of the AirAsia's success is to make processes are simple as possible.

Leans Distribution System -Offering a wide and innovative range of distribution channels to make booking and travelling easier.

Point to Point Network –Applying the point-to-point network keeps operation simple and lower costs. Most of the AirAsia’s flights are short haul (four-hour flight radius or less) which helps to keep lower costs.

Company Business Strategy.

The Business Strategy of AirAsia is “ To continue to be the lowest cost short-haul airline in every market it serves, delivering strong organic growth through offering the lowest airfares at a uprofit”.

This strategy focusing in six main strategic thrusts:

Leanest Cost Structure

- Efficient and simple point to point operations
- Attracting and retaining hardworking and smart people
- Passion for continuous cost reduction

Maximise Shareholders’ Value

- Resilient profit growth through our lower cost base
- Expansion of the AirAsia network in a prudent and disciplined manner
- Invest and enhance the AirAsia brand to increase investors’ returns

Safety

- Comply with the highest International Aviation Safety Standards and practices
- Keep operations simple and transparent
- Ensure the security of our People and Guests

Passion for Guests’ Satisfaction

- Maintain simplicity in every application

- Practice the unique and friendly AirAsia experience at every opportunity
- Recognize the linkage between guests' satisfaction and long-term success

Transparency

- Transparency in decision-making and information sharing
- Optimum disclosure – higher than industry norms
- Timeliness in disclosing information

Human Capital Development

- Invest in both hard and soft skills
- Recognize all our People as contributors to our success
- Reward excellence and individual contributions
- Maintaining one brand across the Group

Analysis of the current Business Environment.

Industry Analysis – Porter's Five Forces Model.

1. Bargaining Power of Supplier

First of all, it can be clearly seen that the main AirAsia's supplier is the airplane suppliers. Generally the power of airplane suppliers is very strong because of monopolisation in airplane manufacturers; there are only two types of airplanes Boeing and Airbus. The switching cost for airplane suppliers is very high due to expensive needs to change airplanes, for example: it will be very costly for AirAsia to change airplanes and train employees to be used of new airplanes. To be honest, nowadays, only several airline manufactures exist in airline industry, thus the power of

airplane suppliers is very fantastic. If we look to other suppliers, such as, fuel, food and other suppliers, it is clear that their power is not so strong because AirAsia can change them and it will not affect to costs. The increase in price can be risky for these suppliers because AirAsia can quit working with them.

2. Bargaining Power of Buyer

Generally, the power of customers is always high because there is no any switching cost for customers to change from one airline company to another, however; in this case, it can be thought that the output of AirAsia is very unique and fantastic in South Asia region. In addition, there will be switching cost for customers who want to change AirAsia to another airline company, as a result; the bargaining power of buyers is low.

3. Threat from Substitutes

In South Asia region there are several possible substitutes for airline industry, such as; trains, buses, cars or ships. However, the prices for other substitutes are more expensive or at the same level, comfort, time spending and other factors during the travelling are more worse than in irline travelling. Nowadays, air travelling is faster, cheaper and more comfortable, as a result; threat of substitutes is respectively low.

4. Threat from New Entrants

Airline industry is very expensive for new organizations to entrance into this industry. New organizations must have a big capital, strong support from

government and must correspond for some requirements for airline organizations. There are difficult barriers for new organizations, for instance; cost advantages of existing airline organizations, brand loyalty of customers, high switching costs for customers and government restrictions. Therefore, the threat from new entrants is low.

5. Rivalry Intensity

In general, the competition between airline organizations in Malaysia is not very strong. There is only one competitor for AirAsia in Malaysian airline industry is Malaysian Airlines (MAS) which can be considered as a “friendly” rival. Thus, the intensity of rival is low in Malaysian airline industry.

3.3 AirAsia Competitive Advantage.

The strategic positioning has several ways in which the company can achieve competitive advantage. For instance, offering similar benefits for a lower cost to customers or retain cost but offer greater benefits for customers. In the case of Maybank, the strategy used by the company is to preserve the value of banking products and services, while offering great benefits and value, as well as the good quality of their products and services.

Focusing on the variety and quality of their products and services, Maybank exercise their competitive advantage. In particular, through its subsidiaries Maybank provides a wide and diverse range of products and services. That allows its customers to use multiple services in one banking group. By entrusting their money to the time-tested bank, whether it be insurance, private banking or assets management. All this, along with high quality

services and highly professional staff of the bank create convenience for customers, thereby increasing competitive advantage.

One of the important factors in achieving competitive advantage of Maybank is to improve the quality and speed of services through the introduction of information technology. Maybank since its inception is looking for ways to make life easier for its customers, through improving the quality of its services. Information technologies have played an important role in this. Maybank always has been the first to introduce new technologies, thus providing greater benefits and opportunities for its customers.

4.0 Analysis of the Current IS/IT Strategy Environment and IT solutions of Maybank.

Yield Management System (YMS)

It is also known as Revenue Management System; it understands, anticipates and reacts to the behavior of customer to maximize revenue for the organization. This takes into account the operating costs and aids AirAsia to optimize prices and allocate capacity to maximize expected revenues. The optimization is done on two levels in AirAsia:

Seat(Every seat is considered an opportunity to maximize revenue. Seats are available at various prices in different points of time. A reservation done at a later date will be charged more than the one done earlier - for the same seat)

Route(By adjusting prices for routes/destinations that have a higher demand when compared to others). The effective method however is to combine

these two levels for all flights, all routes so that both the seat and the route are effectively priced for all the flights.

AirAsia has realized increased revenue (3-4%) for the same number of aircrafts by taking advantage of the forecast of the high/low demand patterns, effectively shifting the demand from low period to high period and by charging a premium for late bookings. Over the past couple of years, AirAsia have actually lowered prices (essential for LCC) as the YMS has given them the window to increase their revenue by offering higher discounts, more frequently during off-peak times while raising prices only marginally for peak times. (Voneche, n. d).

Computer Reservation System (CRS)

AirAsia's CRS (Open Skies by Navitaire) has helped it to grow at a dramatic pace in the past couple of years

“ Navitaire's Open Skies technology has truly enabled Airasia's growth from 2 million passengers to 7. 7 million passengers in less than two years. Open Skies scaled easily to accommodate our growth.”

- Tony Fernandes -

CEO - AirAsia

Source: Navitaire (http://www.navitaire.com/res_and_dist/openskies.asp)

It is an integrated web-based reservation and inventory system. It includes Internet, call center, airport departure control and more. It is a direct sales engine that effectively eliminates the middleman (travel agents) and the

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sales commissions that need to be paid to them. Centralized customer data is also maintained by Open Skies and this helps AirAsia to track booking and schedule flight activities with real-time, on-demand reporting feature. The vast booking information that is provided online to the customers acts as a force that brings more customers to use the website thus reducing the customer support costs. An important feature is that Open Skies seamlessly integrates with the already implemented YMS so that the systems can be used in unison for pricing and revenue maximization (by providing information on bookings, schedules etc) and driving down the costs of operation at the same time. This CRS enabled AirAsia to introduce the first ticket less travel option and also provides features such as advanced boarding passes in addition to online booking that enabled the growth of AirAsia as these features attracted customers that did not have the time for purchasing tickets from counters and coming in 1 hour early for securing a seat on the aircraft. AirAsia have proposed to implement a Wireless Delivery System

(WDS) to expand its reach via mobile phones. With this, potential customers will be able to book tickets via their mobile phones. This is a strategic move for growth as the Asia-Pacific region has a larger population of mobile phone users rather than internet users.

Enterprise Resource Planning System (ERP)

AirAsia has recently (May 2005) opted for a full fledged ERP system implemented by Avanade consultants. By implementing this package AirAsia is looking to successfully maintain process integrity, reduce financial month-

end closing processing times, and speed up reporting and data retrieval processes. (Microsoft Malaysia)

4. 1 IT and IS deployed by Maybank.

It can be said that Maybank has been always be on the way to improve quality of their products and services, thereby satisfy all the needs of their customers. In other words Maybank has been always innovated its products and services by implementation of IT. If to look back to the past we can see that Maybank was the leader to introduce new technologies to the market. For instance, Maybank was the first to embark on a computerisation programme, First to implement the use of ATMs and establish a shared ATM network with its subsidiaries, First to introduce Phone banking and First to introduce Internet Banking.

In 1981, Maybank was first Malaysian bank to set up Automated Teller Machine (ATM) services.(annual report, 2009). Since that time Maybank increased the number of ATMs, with each year. ATMs give a lot of opportunities and benefits to the customers of the bank. Such as, access to own account 24 hours/7 days a week, fast cash withdrawal, cheque book and statement request, fund transfer between own accounts and funds transfer to third party accounts. Furthermore, Maybank was first domestic bank to implement MAS electronic Ticketing at their ATMs, this enable Maybank customers ticketless air travel in Malaysia on Malaysia Airlines. Later, due to its expansion to the South Asia markets Maybank launch the Maybank RegionLink Service. RegionLink Service allows Maybank customers in Malaysia, Singapore, Brunei and Philippines to access ATM transactions at

any Maybank ATM in these four countries. To effectively usage and managing its ATM network as well as to enable their customers to have a better service, Maybank uses automated teller machine management software from Diebold Inc.

Without a doubt, the Internet is one of the most important technological advances of recent years. The rapid development of information technologies have created vast opportunities for companies to reduce operating costs, increase speed and quality of their services, as well as the creation of additional benefits for their customers. Because of this and to create competitive advantage Maybank launch its Internet Banking.

Basically, Maybank launch Internet Banking through its online financial portal maybank2u. com in 2000. This portal bring the convenience of online banking for its customers, who can open an account, check balances, transfer funds, settle bills and shop online via this site, which employs 128-bit SSL security technology. Later in 2001, Maybank launch its E-bills service, which can be used only by their customers. At that time there were 325 business organisations that were able to accept payment through internet banking. Conducting funds transactions over the internet has been convenient and quick. This allowed the company to reach RM 500 million monthly total average transaction. In 2003, Maybank launched Internet Banking Kiosks. It enable their customers to undertake internet banking transactions in provided terminals at its branches.

To maintain its leadership position in internet banking services, in 2006, Maybank launch Mobile Banking services in collaboration with Celcom and

Maxis. It was the first mobile banking in Malaysia . It allowed Maybank customers to access to the three most popular applications of Maybank2u.com: bill payment balance enquiry and fund transfers. From that time, Maybank customers have the convenience of undertaking selected banking transactions in real time via the mobile phone.

In order to improve its efficiency and service MayBank concluded a series of deals with companies such as CSC and Microsoft. The main objective of IT infrastructure outsourcing agreement with CSC was to improve their IT services to position it for global economic growth and, in the case of major disasters, to reduce its recovery time from three days to less than eight hours. The data center was moved from Maybank's headquarter to a secure and modern CSC facility. In addition, CSC set up separate data center for disaster recovery that fully duplicates all of the banks critical data across all platforms. CSC also provide simultaneous connection between bank branches, the main data center and disaster recovery center. This deal allowed the company to reduce response time, to increase productivity and transactional speed.

An Enterprise Subscription Agreement with Microsoft Malaysia to adopt a common software toolset for Maybank's desktop applications has given Maybank the ability to promote greater communication among employees and customers and to enhance cost efficiency. One of the results of this agreement was increasing efficiency and productivity of the employees.

4. 2 Impact on the usage of IS/IT by Maybank.

In general, the use of information technology has a significant impact on the work of the enterprise. Effect of IT can be both at the organization, its efficiency, as well as to clients and their relationship to the company.

In the case of Maybank, IT was one of the essential factors of growth and continued leadership of the bank. Maybank always has been a pioneer in the introduction of the use of IT, which allowed the company to achieve certain benefits. These benefits include competitive advantage, achieving the goal of the company, better service for customers and increase profits and market share.

Maybank was able to improve their service through the use of information technology and information systems. Provision of banking and financial services through a network of ATMs and internet banking has allowed its customers to access their accounts anytime and anywhere in the world. Also, the IT/IS have an impact on the reduction of transaction costs and the time spending on transaction, that is convenient for customers. Customer relationship management system has been significantly influenced by information technologies. Increasing the ways of interaction between the company and customers, has given Maybank opportunity to increase and improve understanding of the needs and desires of customers. All this resulted in improved service and customer satisfaction, as well as the obvious convenience for customers of Maybank.

Paying great attention to the use and implementation of IT, Maybank thus creating conditions for improving efficiency and productivity of their

employees, as well as facilitating a repository of knowledge and being able to share this knowledge across the organization. In Maybank firmly believe that effective knowledge sharing is a source of competitive advantage. Also providing new products and services Maybank has a competitive advantage. At the same time, it is a temporary competitive advantage, because competitors can later enter the market with similar products and services. Therefore Maybank is always on the way to improve its service.

On the other hand, Maybank as a pioneer in the introduction of the usage of IT has the “ first-mover advantage”. This has a significant impact on enlarging market share. Also, the IT/IS has an impact on the reduction of transaction costs and human capital costs. All this has allowed Maybank to increase profits and market share.

Increased profits and market share, competitive advantage and better service has given Maybank an opportunity to achieve its goal. Namely to become a leading banking group in Malaysia, and set the following goal to become a leading regional banking group by 2015.

5. 0 Conclusion

Technical progress is coming more quickly than ever before, thus, affecting all aspects of a typical company. Today, it is vital to the company to use information technology in order to work. It is become crucial factor for the Maybank to employ IT/IS in order to compete in digital world, where almost everyone use IT. Nevertheless, it is important to remember that the most important factor still is the people and companies such as Maybank also need to invest their money in staff training, in order to be competitive

enough or even to create competitive advantage. Because it is the people who create it.