Singapore Airlines: managing human resources

Service employees are a key input for delivering service excellence and productivity, both of which can be important sources of competitive advantage.

Yet, among the most demanding jobs in service organizations are these so-called front-line jobs where employees are expected to be fast and efficient at executing operational tasks, as well as friendly and helpful in dealing with their customers.

Therefore, it is a challenge for service firms to get their human resource (HR) management right, and most successful service organizations have a firm commitment to effective HR management, including recruitment, selection, training, motivation and retention of employees. It is probably harder for competitors to duplicate high-performance human assets than any other corporate resource.

From a service organization’s perspective, the service level and the way service is delivered by the front line can be an important source of differentiation as well as competitive advantage. In addition, the strength of the customer-front-line employee relationship is often an important driver of customer loyalty.

Singapore Airline’s generic strategy and supporting capabilities

Singapore Airlines (SIA) has achieved the holy grail of strategic success: sustainable competitive advantage. Even though the airline industry is extremely challenging, given its disastrous business cycle, overcapacity, difficulty of differentiation, high-risk profile and structural unattractiveness, SIA has consistently outperformed its competitors throughout its three-and-a-half decade history.

One key element of SIA’s competitive success is that it manages to navigate skilfully between poles that most companies think of as distinct: delivering service excellence in a cost-effective way, at cost levels so low that they are comparable to those of budget airlines. A key challenge of implementing business-level strategies, such as effective differentiation at SIA combined with superior levels of operational efficiency, is the effective alignment of functional strategies such as HR, marketing, or operations with the business level strategy.

Both superior quality and high levels of efficiency have been part of the goals and objectives of SIA since its founding, which have been to:

- deliver the highest quality of customer service that is safe, reliable and economical;
- generate earnings that provide sufficient resources for investment and satisfactory returns to shareholders;
- adopt HR management practices company-wide that attract, develop, motivate and retain employees who contribute to the company’s objectives; and
- maximize productivity and utilization of all resources.
Managing people effectively to deliver sustained service excellence

Human assets are crucially important to service firms due to the inherent characteristics of the service industry, and HR management practices and the resulting quality of human resources are difficult for competitors to imitate. Service is a core part of the product and front-line staff tend to be the most visible element to consumers, hence significantly influencing service quality.

SIA’s Singapore Girl has become synonymous with the airline and the personification of quality service while most other airlines have not managed to “brand” and promote their cabin crew as successfully. Further, from a customer experience point of view, consumers often see front-line staff as the firm itself. Front-line staff at SIA are empowered to make appropriate decisions on customer service delivery and take corrective actions as needed for service recovery. Lastly, the front-line staff and service is a core part of the brand, and the service experience informs customer perceptions on whether the brand promise gets delivered. SIA places heavy emphasis on all aspects of selection, training and motivation especially for its front-line staff.

The following five interrelated elements inherent in SIA’s HR strategy, along with leadership and role modelling by top management, play a key role in SIA’s ability to deliver its business strategy of service excellence in a cost effective way:

1. Stringent selection and recruitment processes.
2. Extensive investment in training and re-training.
3. Successful service delivery teams.
4. Empowerment of frontline staff to control quality.
5. Motivating staff through rewards and recognition.

Stringent selection and recruitment processes

HR strategy begins with recruitment, where SIA adopts a highly rigorous and strict selection process. Cabin crew applicants are required to meet a multitude of criteria starting with an initial screening looking at age ranges, academic qualifications and physical attributes. After these baseline requirements, they undertake three rounds of interviews, uniform checks, a water confidence test, a psychometric test and even attend a tea party. From the 16,000 applications received annually, only some 500 to 600 new cabin crew are hired to cover turnover rates of 10 per cent, including both voluntary and directed attrition.

After the initial training, new crew are carefully monitored for the first six months of flying through monthly reports from the in-flight supervisor during this probationary period. Usually around 75 per cent are confirmed for an initial five-year contract, some 20 per cent have their probation extended, and the rest leave the company.

Despite the stringent procedures and strict rules about appearance and behaviour, many educated young people around the region apply to join SIA due to the perceived social status and glamour associated with SIA’s cabin crew. SIA’s reputation as a service leader in the airline industry and an extensive and holistic developer of talent enables it to have its pick of applicants. Many school leavers and graduates view SIA as a desirable company to work for and as an opportunity to move to more lucrative jobs in other companies after having worked with SIA for a few years.

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**Extensive investment in training and retraining**

Even though training is often emphasized as a key element of success in service industries, SIA remains the airline with the highest emphasis on this aspect. Newly recruited cabin crew are required to undertake intensive four-month training courses – the longest and most comprehensive in the industry. Flight crew are also required to embark on 29 months of comprehensive “on-line” training before any promotion to first officer. SIA’s training aims to enable cabin crew to provide gracious service reflecting warmth and friendliness while maintaining an image of authority and confidence in the passengers’ minds.

Continuous training and retraining has been vital to SIA in sustaining service excellence by equipping staff with an open mindset, to accept change and development and to deliver the new services SIA introduces regularly.

**Building high-performance service delivery teams**

Effective teams are often a pre-requisite to service excellence. In view of this, SIA aims to create “esprit de corps” among its cabin crew. The 6,600 crew members are formed into teams of 13 individuals where team members are rostered to fly together as much as possible, allowing them to build camaraderie and better understand each others’ personalities and capabilities.

The team leader learns about individuals’ strengths and weaknesses and acts as a counsellor to whom they can turn to for help or advice. There are also “check trainers” who oversee 12 to 13 teams and often fly with them to inspect performance and generate feedback that aids the team's development.

**Empowerment of front-line staff to control quality**

The culture of most successful service firms contains stories and myths of employees effectively recovering failed transactions, walking the extra mile to make a customer's day, or helping clients avert disaster.

Employees need to feel empowered in order to expend discretionary effort. It is pertinent that employees are able to make decisions independently as front-line staff frequently have to handle customers on their own since it is not feasible or even desirable for managers to constantly monitor employees’ actions. Empowerment of the front line is especially important during service recovery processes.

**Motivating staff through rewards and recognition**

Rewards and recognition is one of the key levers that any organization can use encourage appropriate behaviour, recognize excellence, and emphasize both positive as well as undesirable practices.

SIA employs various forms of reward and recognition including interesting and varied job content, symbolic actions, performance-based share options, and a significant percentage of variable pay components linked to individual staff contributions and company’s financial performance. The numerous international accolades received by the airline over the years, including “best airline” and “best cabin crew service”, serve as further sources of motivation.

**Implications**

For three-and-a-half decades, SIA has managed to achieve what many others in the aviation industry can only dream of, cost-effective service excellence, and sustained superior performance. Understanding the underpinnings of SIA’s competitive success has important implications for other organizations.
A first key implication concerns strategic alignment, in particular aligning HR practices to a company’s competitive strategy. This is an important aspect of the ESCO framework of strategic alignment that suggests that for a company to be successful, the elements of environment, strategy, capabilities, and organization must be closely aligned. In this context, HR management is a key part of the organization dimension, which should deliver the capabilities that support a company’s strategy.

At SIA, the HR management practices enable the development of service excellence, customer orientation, adaptability and cost consciousness capabilities, that in turn support the dual generic strategy of differentiation and low cost, which in turn is the appropriate strategy for the environment of airlines. This poses important questions for the leadership of any organization, namely: “Given what is happening in our environment, what should our strategy be?” And second, “What specific capabilities must support our strategy, and how can we align the organization (including HR practices) to deliver these capabilities?”

A second set of implications concerns specific HR practices such as reward and evaluation processes, and training and development. One common issue in many organizations is a misalignment of the reward systems with expected behaviour. For example companies rewarding employees based on individual performance yet hoping for teamwork and information sharing. At SIA, the reward and evaluation system is fully aligned with expected behaviours.

Further, with regard to training and development of employees, many companies make the error of viewing training as a cost rather than as an investment; and of those that view it as an investment, many limit the training to technical aspects of the job rather than aiming to develop employees more holistically as at SIA. The SIA experience highlights how training and development should be employed in order to achieve a holistically developed workforce that can effectively support the company's strategy. Key questions for leaders therefore are:

- What sort of behaviours and attitudes do our reward and evaluation systems encourage?
- Are these aligned with what is needed to support our strategy?
- Do we train and develop our people in a way that develops the right capabilities to support our strategy?
- Do we go beyond technical training to address attitudes and ways of thinking?

No organization can stand still. The recent socio-economic crises at the macro-level and the emergence of Asian budget carriers at the industry level mean that SIA not only needs to sustain its focus on achieving cost-effective service excellence, but also re-examine and re-invent some ingredients of its recipe for success.

October 2008.

This is a shortened version of “Managing human resources for service excellence and cost effectiveness at Singapore Airlines”, which originally appeared in Managing Service Quality, Volume 18 Number 1, 2008.

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