

THE FACTOR ASSOCIATED WITH RECOVERY OF MALAYSIA AIRLINES

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***Abstract**--This study explore the factors effecting the recovery of airlines in Malaysia. Previously a government agency, later known as Malaysian Airline System (MAS) embarked on a system of corporate governance that would ensure the fulfillment of its role not only as a national carrier but also as a corporate citizen centered on being responsible to its shareholders. In this new age of technology after the economic downturn and the 9/11 incident, Malaysia Airlines and all other airline companies throughout the world had suffered a long term running at loss due to drastic changes of market pattern. Malaysia Airlines had taken various strategies in diversifying its operations into human resource development, training, catering, property consultancy and technical ground support for aircrafts to cater the decreasing demand of services. Sharing its limelight with the ultra-modern Kuala Lumpur International Airport (KLIA), Malaysia Airlines also provides world-class cargo management facilities to meet the needs of all potentials. With more than 50 years of experience, Malaysia Airlines is now still seeking the ways to cater to the ever growing needs of fast moving travelers and bringing them the best service that air travel has to offer such as sophisticated in-flight entertainment to the simple things in life. Malaysia Airlines tries to offer the world-class services that somehow redefines the standards in passengers' comfort that fulfill their needs and wants against each and every rival internationally as well as domestically. Now, Malaysia Airlines is Malaysia's biggest carrier with a fleet of about 110 aircrafts that fly passengers and cargo to more than 100 cities across six continents. Despite the worldwide issues, Malaysia Airlines continues to firmly establish the brand name as Asia's leading carrier and the company is now spreading its wings to more than 200 destinations across the globe (Al-Jader & Sentosa, 2015; De Silva et al., 2018a; De Silva et al., 2018b; Nikhashemi et al., 2013).*

Keywords: operational performance, air transport industry, success factors, Malaysian Airline System

I. Introduction

The national carrier has been praised and criticized from all quarters, right from the business community to the public at large. Naturally resilient, the natural carrier did not buckle under pressure. In fact, through these obstacles they saw a window of opportunities for them to improve on paper and on the ground. The successful restructuring programmed in 2002 has helped them to fast-track the national carrier's return to profitability. Malaysia Airlines has been seen making three straight quarterly-financial results of profit, with the highest recorded of three-fold profits – an impressive financial gain compared to the six consecutive years of losses. This has waken up almost everyone including the critics who are always skeptic with Malaysia Airlines' performance and indirectly, the success has vanquished all the controversial and the negative comments about the restructuring programmed.

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With more than 50 years of experience, MAS is continuously seeking for ways to cater to the ever growing needs of fast moving travelers. Malaysia Airlines strives to offer the world-class service that somehow redefines the standards in passenger's comfort that fulfill their needs and wants and benchmarking this against each and other rivals, internationally as well as domestically. It has announced to increase the total number of destinations to over 100 of international stops. Recently, the company has increased the number of routes to China, India, Japan and the Middle East. The airline's network will grow extensively to more international destinations in response to growing demand for worldwide coverage. Emphasizing on quality services, Malaysia Airlines has always hired the best professionals who are highly disciplined and dedicated towards their jobs. As a result, many travelers worldwide have made Malaysia Airlines as their preferred choice of air travel. With "*Going beyond Expectation*" as their tagline, Malaysia Airlines has excelled in its mission to provide a safe, comfortable, and punctual air travel with personal touch of the crews involved in each flight (Azmi, Rahman, Halim, & Hamid, 2016; Dewi et al., 2019; Pambreni et al., 2019; Tarofder et al., 2017).

MSA ceased their operation in 1971 and were separated into two airlines. The separation happened because of the different needs of the two airlines. However, these two airlines have become the leading Asian carriers. The final revision of the airline names was completed, and MSA became *Malaysian Airlines System Berhad* (MAS) and *Singapore Airlines* (SIA). In 1987 the Malaysian Government sold its shares in MAS and a new corporate identity came along. In the late 1987, as part of the new corporate identity align with their current mission and objective, Malaysian Airlines System (MAS) had changed their identity to Malaysia Airlines. To date, the name is still being used. Started by offering flight services from Penang to Singapore, the national carrier has then flown further throughout the country in response to the increasing demand of the nation. In a more to expand their market, the airline offered flights to Jakarta, Medan, Palembang and Saigon. At that point in time, they were the pathfinder of the regional flight services and MAL first flight to Hong Kong was in 1958 right after the acquisition of another six aircrafts.

Following the separation between Malaysia and Singapore which led them to change their name to MSA, they have vastly expanded their international destinations. The destinations were Manila, Perth, Sydney and Taipei. In 1968, MSA made its first flight to Tokyo and a year later they started service to Bali. Madras and Colombo were also added to MSA growing international destinations list. By 1972, the total destinations that MAS services was up to 34 domestic routes and 6 international destinations. In 1973, due to the rapid globalization around the world, MAS was pressured to add up more international routes. Not wanting to be left behind, popular destinations for business such as Tokyo, London, Madras, Amman, Hat Yai, Jeddah, and Taipei were included. In 1976, after the acquisition of wide-bodied DC 10 aircraft, MAS added more destinations, this time to European countries. New services to Zurich, Amsterdam, and Paris had opened up a new dimension in travel offerings to all travelers and tourists. MAS made own history when they offered their first service to the United States in 1986. They ran the service twice weekly, from Los Angeles via Tokyo. They were then continued to add more destinations in 1990, where Ho Chi Min City, Guangzhou, Fukuoka, and Pontianak became MAS choices (Carlsen & Hughes, 2008; Doa et al., 2019; Maghfuriyah et al., 2019; Nguyen et al., 2019).

Up to now, Malaysia Airlines is still the proud owner of "world's class cabin staff" for four-consecutive years. The Survey is done by Skytrax Research of London, United Kingdom². The research regards Malaysia Airlines as providing the most comprehensive range of customer survey programmes for airlines across the globe. As the first airline scoops the title as the "World's Best Cabin Staff" awards for four consecutive years, the qualities that passengers' have described and nominated the flight attendants include Consistency among Staff, Cabin Staff Grooming and Presentation, and the Sincerity, Enthusiasm and Attitude of Cabin Staff. Malaysian Airlines has drawn admiration from international passengers, as shown by the awards.

Please refer to the (Exhibit 1) on the awards that Malaysia Airlines has received for the past seven years. As for providing the best service in the sky, Malaysia Airlines also provides delicious Malaysian culinary cuisine as well as international favorites. Skytrax awarded Malaysian Airlines cuisine as the “Best Signature Dish 2003”, where the airline served the first class and business class passengers’ through their tasty and mouthwatering *Satay* served specially for them. Economy class passengers were also served with a top of the notch signature dish. Apart from the delicious cuisine.

Malaysia Airlines from the beginning has proven that its existence is not just a mere presence in the airline industry but also is a genuine performer; its dedication has placed Malaysia Airlines as one of the best 5 airline companies in the world. Starting from Kuala Lumpur to Singapore, this airline has expanded their network by flying to numerous destinations in Asia, Australasia, the Middle East, Europe, North America, South America, and Africa. When the apartheid system came to an end in South Africa, Malaysia Airlines was the first airline in Southeast Asia to fly to Johannesburg ⁴. (Please refer to Appendix 5, to see the domestic and global destinations that are included in Malaysian Airlines routing service). With a hope to expand more of its routes and capacity, Malaysia Airlines is planning to purchase 39 new jetliners to replace half of its existing fleets, this despite the increase in oil prices and the emerging of close competitions from the low-cost carriers in Southeast Asia. The exhibit below indicates the aircraft type and the total number of fleets that Malaysia Airlines currently own. This sum has proven that Malaysia Airlines has achieved the target of aircraft that they want to own with regards to the passenger’s comfort and the volume of passengers that they would bring in one flight (Case, 2005).

Table 1: Malaysia Airlines’ Aircraft Fleet (as at June 15, 2005)

| AIRCRAFT TYPE | NO. OF AIRCRAFT | PASSENGER SEATING | RANGE (KM) |
|--------------------------------|-----------------|-------------------|------------|
| B747-400 (Passengers) | 17 | 386 | 12,964 |
| B747-200 (Freighter) | 8 | - | - |
| B777-200 | 17 | 248 | 12,779 |
| A330-200 | 5 | 229 | 7,964 |
| A330-300 | 11 | 294 | 12,224 |
| B737-400 | 39 | 144 | 2,963 |
| F50 | 9 | 50 | 2,778 |
| DHC6 Twin Otter | 5 | 19 | 740 |
| Total Number of Aircraft = 111 | | | |

By using MES, Malaysia Airlines able to reduce the aircraft maintenance downtime days, effective hanger slot management as well as making it more effective in tracking engines and other next higher assemblies. They also provide modification services of ageing aircraft, corrosion prevention programmes and cabin upgrading. Malaysia Airlines is responsible has the experience in maintaining the biggest B737 fleet operator. Their expertise in handling such of this aircraft type is highly admirable and a source of envy among the players.

II. Literature Review

Despite the common notion that the airlines industry is on the verge of collapse, many major airlines, including Malaysia Airlines has proved the idea was wrong. Approximately, total profit from the combination of all the major airlines is more than US\$ 4 billion. Before the turn of new millennium, many of Asia's airlines are hitting up and the market was intense due to the extreme competition environment over the Asian skies. The economy growth and the swelling middle class of the Asians have helped civil aviation industry to grow further. From the research done by the International Air Transport Association (IATA), by 2010 Asians travelers. Multiple forces drive the success of the airline industry. Policies and regulations are two of the most critical factor in the development of any country's airline industry. The air transport industry is highly regulated all over the world. The geopolitical factor is one of the most critical and contentious issue. Airline companies would only obtain license for operating beyond their national frontiers by means of reciprocal agreement. By this mutual agreement between both countries, it means that one company from the country may transport the passengers to another if, and only if, the other country allows the signatory to transport its own passenger to the first country (Changsong, Yiming, & Ahmad, 2017; Pathiratne et al., 2018; Rachmawati et al., 2019; Seneviratne et al., 2019; Sudari et al., 2019; Tarofder et al., 2019).

Over the past 20 years, the shift from regulations to *de*-regulations has emerged. Airline companies have benefited most from the *de*-regulations policy. Dramatic shifts occurred from regulated to deregulated markets especially in the domestic and regional routes. Usually, for the domestic markets, only domestic companies may operate. However, some of the countries has deregulated it totally allow the market force to come into play. Still, there are a few countries that chose to remain closed and as a result, new entrepreneurs are not so welcomed to enter the market. Only a number of small players or companies are capable to operate international routes. Not only the capital requirement needed is high, but certain restrictions from laws relating to this industry prohibit any airline companies from merging. However, forming strategic alliances are allowed though. Many advantages can be obtained from the alliances as the alliances may operate in closed market, achieving economies of scale, sharing research and development, marketing and distributions costs, acquiring each other technology, and reducing financial risk. However, not all alliances have achieved this aim. Alliances are hard to manage and there is no surprise that two thirds of the alliances worldwide failed within a few years after it was formed.

The industry is constantly under threat due to the rise of fuel prices, economy downturn and increasingly demanding labor force. However, this situation quickly turns into a golden opportunity if the economy is growing and the fuel prices are stabilizing. The combination of these factors and the changing paths, regulations and deregulations has shaped the airlines into what they are today. Not surprisingly, corresponding strategies of the airlines were shaped from the combination of the factors above. The Asian economy crisis began when Thai Bhat was depreciating down swiftly. The neighboring countries,

such as Malaysia, Indonesia, Philippines and South Korea were also affected. This happened due to investors had lost confidence in Thailand's currency and the 'infection' spread throughout the Asian region. Market has been depreciated very badly even in strong free-trade-oriented countries like Singapore and Hong Kong. Businesses in Asian countries had difficulty to survive due to the little inflow of the foreign capital. Asian airlines were not spared from this crisis. Cathay Pacific Airways had announced that it had been thrown into the red for the first time ever. Thai Airways saw a 40% drop in passengers. Indonesia, struggled to stabilize its own country both – politically and economically. Indonesian's Garuda reported a drop of around 80% and four out of six Indonesian airplanes were planning to return all the fleets that they had leased. Airlines like Korean Air, Philippines Airlines, and Garuda also had to sell off their own fleets and returned the ones that they leased. In the event of this crisis, Cathay Pacific, ASIAN, Korean Air was forced to give their passengers steep discounts and special packages, just to increase the sales (de Sausmarez, 2007).

“The repercussions trickle down through every layer of the global economy. In the era of globalization, the September 11 terrorist attacks on New York and Washington have had worldwide economic consequences, felt even in those countries that are not likely to become terrorist targets themselves. Ultimately, some of the weakest Third World economies could suffer the worst fallout from the September attacks. The necessary preoccupation with counter-terrorism measures is also diverting attention and resources away from economic development throughout the world”⁷

When Swissair grounded its plane due to the lack of cash, the Swiss government bailed them out. Not long after the terrorist attacks in United States on September 11 2001, in the year 2002, the world was again shocked by what had happened in Bali, a province of Indonesia. Bali, known to most travelers around the world as a vacation destination is heavily dependent on tourism industry. The tragedy happened outside the “Paddy's Bar” and “Sari Club” where individuals blew bombs outside the two clubs. The bombing killed around 202 people; most of them are tourists mostly from Australia. Another crisis, the Severe Acute Respiratory Syndrome (SARS) has of course, affected highly on the tourism, and airline industry. Regional and international conferences throughout Asia where all the delegates from the affected countries were expected to arrive were canceled. Airlines from Cathay Pacific to Singapore Airlines and others worldwide have cut Asian routes and flight frequencies dramatically. Malaysia Airlines has reported a loss in revenue due to SARS for at least RM131 million. Due to SARS, Malaysia Airlines had to cancel its expansion plan because of the increasing revenue losses caused by the disease. Malaysia Airlines were also forced to cancel more than 700 flights to SARS affected area.

Avian Influenza also known as bird flu is less dangerous than SARS. Although the bird flu outbreak has had a very limited impact on the economy, a number of countries such as Thailand and Vietnam have reported several bird human transmissions caused by the interactions between human and the contagious poultry populations. Although the outbreak could heavily impact the tourism and the airlines industry, but so far, the bird flu had a very limited economic impact on the airline industry. In 26th December 2004 the devastation caused by earth quake and tsunami that hit many parts of Asia and east Africa caused a lot of damage. Many beautiful vacation destinations such as Mauritius, Sri Lanka and Phuket had serious damages physically. Hundreds of thousands of people were killed during the disaster. As the impact relates to world tourism, the tsunami impact will likely be relatively small to the airline industry. Airlines, airports, tourism organizations and government agencies should capitalize on their experience in dealing with “Constant Shocks” that happened constantly. In Thailand, where Phuket is the most known traveler's favorite destinations, was hit quite badly (Howell, 2015).

Five years after the millennium, technological advancement keeps on evolving and becoming commodities. Airlines industry must ensure they keep up with the pace. Up to this stage, it is not exaggerating to say almost all industries have relied upon the advancement of high technology to increase their productivity. When it comes to airline systems, technology has to be coupled with the in house development system to serve the customers better. Many carriers have make full use of technology as it is believed by using technology it could cut many costs and increase the productivity of the employees. As what has been stated earlier on, in this small industry there are only few companies in the business as a result of high barriers to entry. Acquiring or sharing technology within airline companies is common due to the restriction of mergers. An example of technological innovation, it is important for airlines to open their own website to promote destinations and other products that they offer (the internet era). It is obvious that low-cost carriers are using website as a means to keep their prices low. By using websites, they are encouraging their passengers to purchase tickets online and passengers don't need a ticket to ride on the plane just relying on the booking number. The so-called ticketless system and the benefits are amazing where the cost savings of printed papers, and time consuming administration costs and maintain them.

Many airlines company- major, regular or even low-cost carriers are outsourcing their technology support and software development. As what one of Malaysia Airlines director was saying, he doesn't want to concentrate on what he considered as a non-primary activity for the company. Airlines have to realize there are number of technologies that are considered to be a non-core activity for them and because of that, outsourcing has become a trend for many airlines. Outsourcing of IT would become essential as it is consuming a significant part of the airlines' management time and resources and not to mention the high costs thereof. Moving on from information technology to the aircrafts, as we know, the lifelong aircrafts competitors – Airbus and Boeing have been competing since probably the dawn of time. Usually the criteria that airlines are looking for when purchasing an aircraft are: i) the maintenance capability – where the higher the number of the engines, the higher the maintenance. ii) These factors are among the most important requirements that were once considered before any airlines purchase their own aircraft (Mekki, Derigent, Rondeau, & Thomas, 2017; Nikhashemi et al., 2017; Tarofder et al., 2019; Ulfah et al., 2019; Tarofder et al., 2016; Udriyah et al., 2019).

Early this year, Airbus has made an announcement about their newly craft – A380, the biggest and the most economical flight that has ever been invented in history. A380 is the largest passenger airplane in the world and has seduced many airlines company with their capabilities to bring more passengers to any destinations and the costs-saving benefits it offered (in terms of oil consumption).

Despite friendly, consistent and very efficient cabin crew, in order for airline companies to attract the customers, airlines must at least install important tools such as the in-flight entertainment systems and the beds – for the corporate clients. In-flight entertainment system has been a growing market segment for which it has been added just as to offer an increasing number of products and services to travelers ⁹. To enhance the travel experience, it is common to have airlines offering the finest overhead system and the audio in-flight system. A high quality in-flight entertainment system, coupled with the 'super' comfortable seats and combined with the warm hospitality of the cabin crew could boost up any airlines company. The in-flight entertainment system could differentiate one airline company from another. This includes the space and the seats, as well as the personal entertainment system. LanChile Airways for example, has impressed many passengers who flew with them. The seats are impressive, as it could be reclined farther than any other seats in business class. SIA has been repeatedly saying that the *spacebed* is a very important tool for the company as it could attract the corporate

clients. SIA has also introduced the first in-flight service for the corporate passengers, by offering the facility of in-seat equipment to send text message or email addresses or even mobile phones.

Malaysia Airlines, has unveiled the latest business class product featuring the roomy seats that can be reclined a full 180 degrees, and indirectly turning it into a makeshift bed. Cathay, Emirates, SIA and Lufthansa provide the emails service. Although it is not free, it is still worth the value with just a minimum pay of US\$9.95. Malaysia Airlines flies to more than 100 destinations, across 6 continents. Travelers may choose any destinations that they want to go, inbound or outbound. There are several packages that Malaysia Airlines offer to their customers for a simple vacation trips or even just a weekend gateway. Packages and Promotions include ‘*Global Destinations*’ and ‘*Malaysia Destinations*’. Under these packages, travelers may choose between two, to have a package that gives them freedom to plan their own ways, or to pick a package that is full with a well-planned itinerary. The packages are named as “Escapade Free and Easy Programs” or “Guided Packages”. If travelers plan to go to overseas trip, there are special packages that cater the needs for Muslim travelers – such as the food. According to the annual report (2003/04), the most popular destinations in that year were Europe and Middle East. Malaysia Airlines generated most revenues from those destinations. As for Malaysia Destinations, the national carrier provides their best efforts to offer the best flights and attract tourists to travel to and in Malaysia. Malaysia Airlines Golden Holidays are the experts in offering the various types of packages offered by them. These packages can be customized individually so it will suit each individual needs (Mohd-Any, Mutum, Ghazali, & Mohamed-Zulkifli, 2019).

As a reward for being a loyal customer to Malaysia Airlines, Malaysia Airlines commenced a loyalty program called – ***Enrich*** in 1999. Ever since it was launched, Enrich has become very popular and attracted many premier credit card companies to further enhanced the joint promotions and had increased business partner participations. Malaysia Airlines, North West Airlines, KLM, Swiss International Airlines, and Virgin Atlantic are among the airlines partner. As for the credit card partners are such as American Express, Citibank, Hong Leong Bank, HSBC, Maybank, RHB Bank, Standard Chartered, Southern Bank Berhad, United Overseas Bank and Westpac Australia’s First Bank. There are many benefits and privileges awaited for all the Enrich members such as free travels, holiday packages, and special offers. Enrich members may use the membership in many ways to earn the enrich points. With sufficient points, members may redeem the points with gifts or other items offered by Enrich.

Malaysia Airlines’ aircrafts are known to be very modern. Passengers may choose to travel between three classes – Economy, Golden Club or First Class. The seats features in economy class are comfortable and they are tailored to the passengers need. Usually in long-haul flights, the seats are coupled together with foot rests and lumbar support. In 2002, Malaysia Airlines has been named as the “Best Economy Class in 2002”. The service offered by the cabin crew are top notch, and the seats available are the more comfortable compared to other airline’s economy class. Another plus point of Malaysia Airlines’ economy class is the in-flight entertainment. Economy class passengers actually enjoy the benefits of which the first class passengers would enjoy (the personal television channels and audio channels). As an economy class passenger, the baggage allowance is only 20 kg and passenger is only allowed to carry one hand luggage weigh no more than 5 kg (Monks, 2014).

As for the golden club business class, the perks are of course higher than the economy class. Passenger who flies with this class is often invited to use the Malaysia Airlines Golden Lounge. Baggage allowance for those who travel with golden club class is 30 kg and allowed to carry two pieces of hand luggage that each weighs no more than 5 kg. The seat features in golden club class allow passengers to seat and sleep in a very comfortable position.

Malaysia Airlines First class defined the luxury of airline traveling, explicitly. The seats are wide and comfortable and it offers a selection of adjustments catering to each passengers need. Passengers may experience the luxury of dining with a wide selection that being served on the best china. As a first class passenger, the allowance of 40 kg baggage and 2 pieces of hand luggage that each weighs no more than 5 kg is given. An exclusive access to the Golden Lounge is being awarded to each first class passenger that is located around the world from Kuala Lumpur to Los Angeles.

It is undeniable in-flight entertainment is the most important thing installed in each aircrafts for the sake of passengers comfort. Throughout the long journey, passengers might feel bored and the personal entertainment would keep them from this. Malaysia Airlines is known to be one of the best airlines that provide its passengers the satisfaction of entertainment while traveling. Economy class passengers can enjoy all the benefits in the first class as well. During the traveling period, passengers may switch in to any 11 video channels and 19 audio channels from the given remote and may watch them in their own personal TV that has been installed in each seat. Although the passengers are up above in the sky, it doesn't mean that passengers can't be updated with the current world news as the news will be updated every one hour. When the passengers are tired with the music and movies, they may choose to play the in-flight game with a choice of 36 Nintendo games, 4 PC games, and 3 multiplayer PC games. To those who are not into TV programmes, movies, music or games, then there is in-flight reading. The in-flight reading is called *Going Places*. *Going Places* is a truly enjoyable magazine. There are selections of international and Malaysian Newspaper on board too (Nasir, Ahmed, & Barkat, 2017).

The airline brings the best cuisine up to the sky to be served to all the passengers who are on board with them. Both Asian and Western food is included in the selection menu. Malaysia Airlines serves food every 2 hours, and they tend to keep their passengers 'full' the whole time. A truly Malay specialty dishes are highlighted and there is no wonder why Malaysia Airlines is one of the best when it comes to in-flight services. Of course, there are assessments of children's meal as well. As a matter of fact, Malaysia Airlines has just improved their newly children's meals especially for children aged 4 to 11 years. The meals are packed in colorful takeaway meal boxes. Depending on the length of the flight, these meals will be served at breakfast, lunch, light meal, dinner and supper. However, the reservation for child meal must be made during the flight booking or 24 hours before departure time. Passengers with special dietary requirements are allowed to request for it. There are three types of 'special meal' types- religious diets, medical diets, and vegetarian meals (Wong & Musa, 2011).

As part of the branding strategy, Malaysia Airlines created an extravaganza television advertisement. With the theme of "*Going Beyond Expectations*" Malaysia Airlines tried to capture the worldwide target market by launching its biggest advertising campaign. On September 2002, the advertisements on printed media and television had been previewed not only in Malaysia but also in 17 other countries with the aim to inform passengers worldwide about new products and services offered by Malaysia Airlines. There were eighteen printed ads and a total of seven television commercials, six of them were short commercials and another one was a 60 minutes long commercial. Each commercial focused on a particular service aspect of the airline. According to TV AdEx, Malaysia Airlines grabbed the top position in "Tops Advertising Race on Television 2004" with 29 percent of advertising share from January to December 2004 (Nikbin, Iranmanesh, Hyun, Baharun, & Kim, 2015).

In August 2004, aligned with the new e-commerce site that Malaysia Airlines launched, there were many media publicity and full-page newspaper advertisements. Those advertisements stated about the discounted fares also known as 'supersavers' that Malaysia Airlines would give to those who booked online. Malaysia Airline's print advertisements had always grabbed the audience attentions from newspaper to billboards. In each of the print advertisement, Malaysia Airlines tried to convey the message with this tagline - "**Little details matter to us, because they matter to you**". With such a catchy *tagline*,

travelers are hoped to understand the message from Malaysia Airlines and it will encourage them as the travelers feel they are being appreciated by believing that Malaysia Airlines would give them the best service possible. Advertisements displaying the awards won like “Best Cabin Crew”, “Best Signature Dish” and “Top Five Airlines” would certainly attract the business travelers.

As part of Malaysia Airlines strategy to enhance its brand, product and services, Malaysia Airlines has undertaken some major sponsorship of promotional sports activities in to promote the company and also the country as an ideal holiday destination. During its last financial year, Malaysia Airlines had sponsored games Early this year, March 1 2005, Malaysia Airlines has organized a joint partnership of Malaysia Airlines and MATTA Charity Golf 2005. This was the first ever and the most awaited and the Largest Simultaneous Tee off Golf Tournament in Malaysian History. This event had been recorded in Malaysia Book of Records. Being the consistent participant in Malaysia’s sports tourism activities Malaysia Airlines is positive that this is the most magnificent marketing tool as to promote Malaysia Airlines brand name to the world (K. L. See, Hafizam, Aziz, Azaini, & Shah, 2016).

Apart from promoting Malaysia Airlines through television advertisements, Malaysia Airlines took a step further ahead by sponsoring some television programmes in local and abroad. In June 2003, Malaysia Airlines has signed a joint partnership with TV3, a local television company, for a reality programme called “ExploRace”. ExploRace is a custom made show for all Malaysians and is the most challenging reality TV show in Malaysia where teams are required to outdo the others in an all-out race. The aim of the programme was to let them experience and discover, as they track through local destinations to complete their tasks, contestants will also get to discover new things about the people, their cultures and above all, the spirit of the competition (Nikbin, Ismail, Marimuthu, & Salarzahi, 2012).

Malaysia Airlines collaborated with BBC World to extend its brand proposition, “Going beyond Expectations”. The programme called “World City Breaks”, highlighted world top 10 destinations. The key objective is to let the target audience know about their product lines, aware of their branding campaign and to let the audience know their new airlines’ facilities. Malaysia Airlines is well aware that BBC World is highly targeted on frequent business travelers; therefore they took this advantage to promote their business class. Malaysia Airlines is also sponsoring the “World Destinations” at Discovery travel and adventure channel, also, highlighting beautiful tourist’s destinations.

Analysis

Malaysia Airlines has brought the world class musical teams to Malaysia by sponsoring the “Saturday Night Fever” a musical theatre that defined the disco era of the seventies. The investment in such performance was part of Malaysia Airlines commitment to diversify the country’s tourism offerings and make Kuala Lumpur a focal city for the performing arts in the region. The sponsorship was also part of its “Going Beyond Expectations” campaign to demonstrate the national carrier’s commitment towards attracting passengers in fresh and exciting ways. In this chapter, Environmental Scanning can further be divided into four segments, and they are (Figure 1):

- External Analysis – SEPT Analysis, Industry Analysis.
- Internal Analysis – Functional Resource Analysis
- Strategic Choice – SWOT Analysis, External Factors, Internal Factors
- Malaysia Airlines Diagnosis

Figure 1: Major Segments of Environmental Scanning

PEST Analysis

In order for Malaysia Airlines to face the external environments that are growing more complex and global day by day, PEST Analysis is being used. PEST is a short form of **P**olitical, **E**conomy, **S**ocial-cultural, and **T**echnological factors.

▪ **POLITICAL FACTOR**

1. The Iraq war has given many negative impacts towards airline industry- including the traffic to and from Middle East destinations has declined, and the increase in oil prices.
2. Strong support from the government on airline industry – by the development of KLIA, and the rapid promotion of “Visit Malaysia” in overseas.

▪ **ECONOMIC SITUATION**

1. The Asian economy crisis has resulted in uncertainties and many investors have lost confidence in Asian country’s currencies
2. Following the September 11 attacks, more than 400,000 employees have lost their jobs. The attacks have affected every segments of the industry.
3. “Bali Bombing” tragedy has killed many tourists that mostly came from Australia, and by this tragedy, airline industry had a severe impact because the industry is heavily relying on tourism industry.
4. The miscellaneous outbreaks such as Severe Acute Respiratory Syndrome (SARS), and Avian Influenza (bird flu) killed many people – flights cancellation were at the highest during the outbreak period.
5. Tsunami had hit quite a number of Asian countries and damaged many tourism spots.

Internal Analysis

Malaysia Airlines’ internal resources are the most critical source of wealth for them. Through internal analysis, Malaysia Airlines could perform evaluation in identifying its internal strengths and weaknesses. This analysis is concerned both with the past and future, and indirectly it can indicate how the airline has performed in the past. It is very important for them to identify their strategic objectives and key success factors as this analysis could establish and achieve their objectives (Nikbin, Marimuthu, Hyun, & Ismail, 2015).

Competencies Analysis

Below are the analysis of Malaysia Airlines strength and weaknesses of major functional resources within Malaysia Airlines. The resources of Malaysia Airlines are mostly based from its own competencies, (please refer to Table 2):

1. Operational Analysis
2. Value Added Analysis
3. Cost Efficiency Analysis
4. Robustness Analysis

Table 2: Internal Environment Resources

| COMPETENCIES | ACTIONS |
|-----------------------------|--|
| 1. Operational Analysis | Examine the strength and weaknesses of the overall operation in Malaysia Airlines including the customer service activities. |
| 2. Value Added Analysis | Analyze the value added services that Malaysia Airlines offers to customers. |
| 3. Cost Efficiency Analysis | Analyze Malaysia Airlines cost efficiencies. |
| 4. Robustness Analysis | Analyze Malaysia Airlines' Robustness. |

Cost Efficiencies Analysis

Cost efficiencies analysis will be used to examine the means that Malaysia Airlines use as to save its cost but still retain the quality. One of the ways that Malaysia Airlines use and found profitable is to engage in alliance constituting two or more airline companies, and it is called *code-sharing* agreement. Although Malaysia Airlines has signed agreements with many airline companies, the Airline has not signed up with any global airline Alliance, unlike its competitor, Singapore Airline belongs to the Star Alliance network. Malaysia Airlines should carefully review this matter, they have been holding up in joining the international alliance for sometimes already. The international alliance could bring a lot of benefits to the airline as well as the passengers (Rosnan & Mahmud, 2012).

III. Conclusion

Nevertheless, in order to respond to these fierce competitions, Malaysia Airlines should create new policies and adapt the entire organization to keep abreast of on-going changes in the industry by looking at each and every different angle. It is without any doubt that other strategies such as enhancing its customer services and airline alliances play important roles for achieving its vision and goals.

Fortunately, Malaysia Airlines receives strong blessing and support from the Malaysian government. However, Malaysia Airlines should rather be proactive, to grab the advantage of having a strong goodwill as the leader of national carrier whilst providing the highest quality of services to the respective customers. Feedback given by the customers should be taken in a serious manner and corrective actions should be deployed promptly.

Brand image and alliances for volume are important and strong capital backing is also crucial, and has marginal returns. With high intensity of rivalry, every airline in the region wants to provide the greatest service on the sky, want to fly its customers to more destinations, giving out low-fares that they could ever give, and endow customers with the best ground support; the increasing competition in this industry should be seen as a healthy rivalry. As a result, Malaysia Airlines had shown their desire to *go beyond expectation* and had gone through a lot of improvement over the years (K. F. See & Rashid, 2016).

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