CHAPTER 1

INTRODUCTION

National air carrier Malaysia Airlines has gone through a lot in its three decades of existence. The Asian financial crisis in 1997 coupled with the negative impact of September 11 incidents on airline industry worldwide; resulted in the company registering losses for 5 straight years since 1997.

The dark days of the world airline industry are almost over as the industry is registering some growth in line with improvement in worldwide economies.

As for Malaysia Airlines, its worst days are gone as in February 2001, the government of Malaysia, through its investment arm, Ministry of Finance Inc bought over the controlling stake of the company from Naluri Berhad. With the intention to turnaround the ailing company, a new management team was appointed. The new management, in July 2002 unveiled a total turnaround strategy.

The strategy entails restructuring of the company’s overall operations by functions, in which, efforts shall be focused towards its core operations. This resulted in the review of flight routes as to improve the airlines’ capacity utilisation and other measures as to improve its services and at the same time contain costs to the minimal level. All in all, the turnaround strategy entails Malaysia Airline to adopt the ‘best cost producer’ strategy.

A part of the turnaround strategy, MAS Gemilang programme was launched to encourage the employees in making improvement in their work processes to lift the company out of its current predicament.

The objective of this programme is to revitalise the company and rebuild it into a strong and respected business entity commensurate with its status as the national flag carrier.
1.1 OBJECTIVES OF THE STUDY

The main objective of this study is to examine the effectiveness of one of the three initiatives that are putting in place under umbrella of MAS Gemilang i.e. Quality Control Circle (QCC) programme. Moreover, through the thorough survey on the organisation’s members, steps taken by the company’s management to win the employees support as to ensure acceptance and commitment towards making the programme a success will be assessed.

This study was based on the relationship between organisation characteristics, intervention characteristics, institutionalisation process, indicators of institutionalisation and divisional performance.

1.2 SCOPE OF THE STUDY

The scope of this study is mainly focus on two divisions that represent core and non-core operations in Malaysia Airlines. Core operations that include activities directly related to flight operations is represent by Technical Ground Operation Division while non-core operations represent by Network Revenue Management Division. These two divisions were chosen because it has been actively cultivating and promoting QCC programme or productivity improvement.

1.3 SIGNIFICANCE OF THE STUDY

The study is a descriptive and consultancy-type research. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. The goal of a descriptive study, hence, is to offer a profile or to describe relevant aspects of the phenomena of interest from an individual, organizational, industry-oriented, or other perspective (Uma Sekaran, 2000).
The research findings will provide some insights and information for managers in their effort to be more effective in implementing the programme into the desirable behavioral outcome. It is also hope that this study will help managers in designing an effective programme and understand the behavior of their employees towards any change that management intend to implement.

1.4 LIMITATION OF THE STUDY

The study is focusing on two of six divisions in Malaysia Airlines, which are the Technical Ground and Operation Division and Network Revenue Management Division. The findings as well as the recommended corrective actions are thus confined to these two divisions of Malaysia Airlines. As such, the recommendation would not serve as a guide for the whole Malaysia Airlines.

Time constraint also poses another limitation of the study. As the study is focusing on a particular time period, the findings on the organisation assessment is therefore limited to the particular time frame. A separate exercise should be carried out in the future should the organisation decided to implement new ways of working or changes into the system.

1.5 ORGANISATION OF THE STUDY

The study comprises of five chapters with an abstract at the beginning of the study and followed by appendices at the end of the study. The first chapter mainly talks about the basic introductory to the study, which includes objective of the study, scope of the study, significance of the study, limitation of the study and background of the organisation study.
Chapter two covers the literature review, which highlight same past studies, opinions and descriptions of Quality Control Circle (QCC), Total Quality of Management (TQM) and Six Sigma. The implementation issues of these quality improvements will also discuss in this chapter.

Chapter three discusses about research framework, hypotheses, research instruments, sampling design, data collection procedures and data analysis techniques in the study.

Chapter four presents the research results. It discusses the summary statistics of sample, and the explanation of the results based on the statistical test.

Chapter five concludes the study and proposes some recommendation based on findings and related discussions. The findings and recommendation might be useful for future research, especially for studies in similar area.

1.6 BACKGROUND OF THE ORGANISATION

On 2 April 1947, Malayan Airways Ltd. (MAL) a joint venture company founded by the now-defunct British Overseas Airways Corp. (BOAC), Ocean Steamship Co. Ltd. and the Straits Steamship Co. Ltd. commenced its first charter flight service from Singapore to Kuala Lumpur. Within two years, the company's domestic and regional flights routes were expanded to Jakarta, Medan, Ho Chi Minh City, Bangkok, North Borneo, Sarawak and Yangon.

In 1958, MAL was turned into a public limited company owned by the Federation of Malaya and Singapore, Borneo Airways, BOAC and Qantas. With the formation of Malaysia in 1963, the airline was renamed Malaysian Airways Ltd. Two years later, Borneo Airways Ltd. merged with MAL, increasing both the carrier's fleet and network. On the separation of Singapore from the Federation of Malaysia on 9 August 1965, the governments of Malaysia and Singapore took over majority control of the
airline from BOAC and other shareholders. Within the year, the airline became known as Malaysia-Singapore Airlines (MSA).

On 3 April 1971 a split in MSA led to the incorporation of Malaysian Airline System Berhad (MAS). A new-look airline took off with a moon-kite logo on 1 October 1972, as the national carrier of Malaysia. MAS began modernising its fleet with wide-bodied aircraft to meet increased passenger and cargo business. On 15 October 1987, the airline with a refined MAS corporate logo showing a restyled kite was relieved, along with the official name to Malaysia Airlines. Over the years, Malaysia Airlines has achieved the following success, to name a few:

i. The only airline in the world to offer a 10.4 inch (26.42 cm) in-seat touch screen in First Class and Golden Club Class.

ii. The world’s first airline to offer a Business Centre in the sky, which has a fully-equipped, state-of-the-art working environment for First Class and Golden Club Class passengers on its B777.

iii. Recipient of the Quality Award for Best Cabin Staff Services for First Class in 2001 based on the World First Class survey done by Skytrax, United Kingdom.

iv. For the third consecutive year, Malaysia Airlines Cabin Staff have been voted ‘Best Cabin Staff’ by qualitative researchers Skytrax.

The airline continues to spread its wings wider and further, with fleet modernisation programmes and new international routes.
Products and Services

Malaysia Airlines operates air transport services for global and domestic passenger and cargo. Today, Malaysia Airlines flies to over 110 destinations across six continents with a modern fleet, including the B747-400s and the B777-200s.

MALAYSIA AIRLINES in a lurch

Despite its achievements, Malaysia Airlines was on the verge of collapse due to its consistent massive losses amounting to more than RM4 billion for the past five years. This was due from its disproportionately large debt that has resulted in the need to service high interest charges. This imposed a heavy toll on the company's cash inflow. The company had previously relied on sale and leaseback of its aircraft to supplement its cash inflow. However, the strategy was short lived as demand for aircraft dropped due to excess capacity in the global airline industry as a result of world-wide economic downturn in early 2000. The company's cash inflow was further affected by the sharp decline in demand for air transportation across the globe arising from the September 11, 2001 attack on the US. The company responded with a company-wide cost cutting drive but this was proven too late to stop the bleed. As the company was driven nearer to the edge of insolvency, the overall morale of its employees was said to have deteriorated.

In order to lift the company out of its predicament, the Malaysian Government, in February 2001, bought over the controlling stake in national carrier the with a view to turnaround the company. The turnaround programme is now being implemented.
Figure 1. Organisational Structure of Malaysia Airlines

Source: Malaysia Airlines.