**Major Project**

**A Business Development Plan to improve the business performance of Malaysia Airlines in Malaysia.**

**Student Name**

**University Name**

**Date:**

**Executive Summary**

Malaysia Airlines is the flag carrier airline owned by the Malaysian government. Its operating base is Kuala Lumpur International Airport and has an auxiliary hub in Kuching. In addition to the airline, the company also includes maintenance and repair of aircrafts as well as aircraft handling. Regardless of a huge financial or economic restructuring exercise in the year 2006, company still maintains a very strong existence in East Asia, Southeast Asia, Middle East and South Asia. The company offers three types of travel classes in its intercontinental flight services which include Economy Class, First Class, and Business Class. Malaysia Airlines premium cabins, as well as Economy Class flight services, have won several awards for the excellence in service and product delivery.

The study begins with the brief overview of Malaysia Airlines, its business issues, and opportunity. After that, the purpose & rationale of the project, research questions, research objectives and research framework is discussed.

Hence, by using secondary data business review examination based on important factors influencing business performance such as: Market, Organization, Marketing, and Financial Performance is discussed in this project. Elaboration of all these factors are completely relies on Malaysia Airlines current perspectives. One key researching process of this project is online research surveys that assists to learn crucial areas of this study based on primary data and secondary data collected from targeted respondents.

This project also includes proposed Business Model as well as business plan for further improvement of Malaysia Airlines.

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# CHAPTER 1: INTRODUCTION

# Introduction



## Figure 1: Overview of Malaysia Airlines Company

Malaysia Airlines is one of the emerging airlines in Asia(Malaysiaairlines.com, 2017). The organizations headquarter is located at the International Airport in Kuala Lumpur. Malaysia Airlines Ltd. began in Singapore and flew its first flight in 1947. Peter Brendan Bellew is the CEO and group MD of Malaysia Airlines but he resigned from his position in 2016. Now, Izham Ismail is appointed as a new CEO of the company. Former pilot Izham Ismail is company’s fourth CEO (Pham, 2017). Malaysia Airlines Limited provides carrier and transportation services in Malaysia as well as globally. Malaysia Airlines is eager to become world's five-star airline operators. Malaysia Airlines thinks they have to reshape themselves to accomplish this vision and goal(Picard, Brooke and Coffin, 2017).However to attain this vision and goal Malaysia Airlines have to work hard as nowadays competition is very high in airline industry and top competitors of Malaysian Airlines' are Qatar Airways, Emirates and Etihad Airways. In short, Malaysia Airlines must reshape itself to withstand FSC and LCC competition.

Malaysia Airlines in 2006 launched its Business Turnaround under the leadership of former Malaysian cabinet minister IdrisJala. This Business Turnaround is developed by utilizing the Government-linked Corporation Transformation Manual like a guide. In 2011 Malaysia Airlines has collaboration with AirAsia to increase the company’s profitability, productivity as well as performances. In addition, Malaysia Airlines signed a sponsorship deal for 3-year with Premier League Liverpool FC in 2016, which makes them AirAsia’s authorized Global Partner.

In the first half of 2016, the focus of MAB was to reduce costs and improve the customer experience. On the other hand, in the second half of 2016, there is a hard push for the annual revenue or profit generation with aggressive sales as well as with marketing initiatives. This has improved the passenger load factor of the company at 80% against 70% in 2015. Malaysia Airlines also investing in new and modern technologies and make this technology as a major principle of company’s transformation programme. Malaysia Airlines expect to carry over 17 million customers in 2017 and they see an opportunity to grow their position as a five-star full-service airline into 2018 with confidence.

### Table 1:Highlights of Malaysia Airlines Quarter 3 and Quarter 4, 2016 Fiscal Year Performance

|  |  |  |
| --- | --- | --- |
|  | Actual Q3 2016 | Actual Q4 2016 |
| Passengers (mil) | 3.6 | 3.8 |
|  |  |  |
| ASK (mil) | 10.513.3 | 10,577.9 |
|  |  |  |
| Passenger Load Factor (%) | 79.3 % | 80.9% |
|  |  |  |
| Passenger Yield (sen) | 21.7 | 21.5 |
|  |  |  |
| On-Time Performance (%) | 68 % | 70 % |

Load factor in Quarter 4, Fiscal Year 2016 rose to 81percent - with a load factor of 90% in December. Average fare fell 3 percent to RM484 per passenger quarter on quarter. Traffic increases five percent to 3.8 million client’s quarter on quarter. Quarterly ex-fuel expenses fell by two percent. Currency volatility increase during quarter four and threat remains.

# 1.2 Business opportunity and issue

Malaysia Airlines is a public limited aviation group in Malaysia. Malaysia Airlines operates six continents, covering more than 100 diverse destinations. Malaysia Airlines has also involved in cargo transport and maintenance services (Pham, 2017). To represent the business opportunity and issues of Malaysia Airlines SWOT analysis of Malaysia Airlines has been done in this study.

## Figure 2: SWOT Analysis of Malaysia Airlines

|  |  |
| --- | --- |
| **Strengths**  Brand Name  Improvement in Yield  Diversified Revenue Stream  Low Labor Costs  Accreditation  Well-trained employees | **Weaknesses**  Lower Margins  Unprofitable Routes |
| **Opportunities**  Increasing cargo traffic  Expansion in business  More Services | **Threats**  Increase in fuel prices  High competition  Change in Policies |

**(Source:** mbaskool.com)

**Strengths**

* Strong support from government of Malaysia has made Malaysian Airlines a very strong brand (Nasir, Ahmad and Barkat, 2017).
* Due to the brilliant marketing and advertising, Malaysian Airlines gains powerful Malaysian aviation brand recall and popularity.
* Malaysia Airlines has a staff of more than 14,000 people
* Malaysian Airlines also covers more than 50 international as well as 35 household destinations.
* Airways provide quality customer services and flight leisure services(Bachmann, 2014).

**Weaknesses**

* Imperfect domestic traffic.
* Malaysian aviation has very intense competition and has limited market shares

**Opportunities**

* Strengthen the global business of Malaysia Airlines through joint-ups and partnership.
* More international routes to famous destinations can enlarge business
* More services as well as options to clients at the airport facility (Nasir, Ahmad and Barkat, 2017).

**Threats**

* Increased fuel costs can diminish Malaysian airline profits
* Change in government's policies and regulations also threaten airlines profits
* Southeast Asian market competition intensified.

**Issues**

One big issue Malaysia Airlines face was shot down of MH17 flight in Ukraine. US government also confirms that plane was shot down. This issue causes a loss of company’s brand image. Malaysia Airlines CEO also confirms that bodies of 298 victims were scattered in eastern Ukraine(Moodie, 2014).In 2014, an International passenger flight disappeared while flying from Kuala Lumpur International Airport, to its destination.MH370 missing flight mystery also become one big issue for Malaysia Airlines as this mystery also harms brand reputation. Then there is an issue of routes. MAB once flew to Buenos Aires via Johannesburg and NY via Stockholm. It is suspicious if such prestige routes were begun on the basis of hard-nosed profitability assessments. These loss-making flights have since been dropped.

# 1.3: Purpose and rationale

From Malaysia Airlines business`s viewpoint, business concepts are based on the removal of all mentioned weaknesses which company face, take more profits from the advantages, and all the opportunities taking international place soon(Bachmann, 2014). This is the reason why Malaysia Airlines must be keen to solve all the issues related to quality.

Problem statement subsists in the examination of actual fails and difficulties that lead to current underperformance of Malaysia Airlines and the examination of its worldwide business performance development.

Therefore, the main objective of this study is to draw out some solutions as well as make some recommendations to make sure the mid-term continuous development of Malaysia Airlines in the term of different reviewing factors that influence the current activities of the company such as Market, Financial Performance, Marketing, and Organization. The importance of this project becomes clear while considering the possible growth of Airline industry and company’s strategic position.

# 1.4: Terms of reference

# 1.4.1 Research Questions

**General Research Question:**Malaysian airline activities have attracted public viewers for more than a century, as well as it still provided research areas. After the successful implementation of the restructuring plan, Malaysia Airlines once again witnessed the difficult times. The important question is how to determine this success and the Malaysian aviation brand identity back to the previous position (Lupiyoadi and Putra, 2014). One major question comes out of this is what are the factors that influence the Malaysia Airlines business performance?

**Research Questions: Specific**

1. What does Malaysia Airlines Company marketing policy include? Why the decrease in deals is being practically observed? What are the features of Malaysia Airlines services? Which features are in demand as well as which are definitely not?
2. What are money related conditions of the organization? How does the administration group maintain the company`s business? For what reason does the organization witness sudden money related variances? What measures should Malaysia Airlines acquaint with accomplish the money related soundness?
3. What are economic situations of **Malaysia Airlines**? How does company’s management team run its business? Why does **Malaysia Airlines** witness sudden economic fluctuations? What actions should **Malaysia Airlines** set up to accomplish the economic or financial soundness(Spellman, 2014)?
4. What are the vision, mission, and vital purposes of **Malaysia Airlines**? What is the part of technological advancements and innovations in current working activities of a company? What is the authoritative structure and design of Malaysia Airlines Company?

# 1.4.2 Research Objectives

1. To study the environment along with its present needs and demands of the airline market to meet the target customer base as well as to adapt company’s upcoming marketing plans to reality.
2. To studycompany`s brand name along withitsequity. To examine the company’s product portfolio. To explore the pricing strategies of Malaysia Airlines.
3. To investigate how the mechanism of business strategy affects company’s business performance. To expandthe understanding and knowledge of company`s value as well as supply chain management. To organize internal business processes within the company to recommend strategic growth plans.
4. To conduct economic and financial performance examination, including observation of the organization’s major financial statements through income and rate analysis, and with other financial assessment tools.

# 1.4.3 Research Framework

Business performance and achievement of **Malaysia Airlines**serveslike a dependent aspect orfactor that in regards revolve around four independent factors. The research framework in this research provides a basis for understanding a business Development Plan to improve the business performance of Malaysia Airlines and examining the factors in relation to business performance. Kartar Singh and NikMahmood state that the competencies are the result of the knowledge and skills required to compose successful business performance. This ability to meet business goals will help to strengthen the organization's success (Kartar Singh and NikMahmood, 2017). B2B markets, Strategic environment thinking and theoretical tools of Porter 5-forces analysis as well as PESTLE analysis tool used to research the business performance of Malaysia Airlines

## Figure 3 Factors Research Framework

**Marketing**

**Operations**

**Financial Performance**

**Organization**

Business Performance of Malaysia Airlines is based on these four independent factors

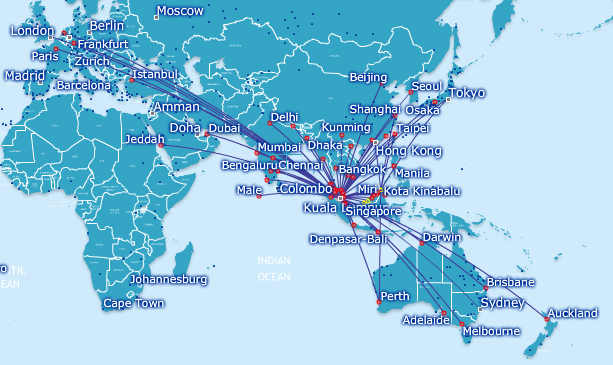
**Marketing:**Marketing strategy of Malaysia Airlines includes integrated decisions, by which Malaysia Airlines meet their customer needs to accomplish marketing goals.

**Operation:**  As company’s operations in market increase business of Malaysia Airlines also gain high profit margins and a decline in purchases-to-sales ratio.

**Financial Performance:**Fourtypes of financial performance strategies which Malaysia Airlines used are based on revenue and cost such as: consistent cost cuts, careful cost reductions, enlarged operational efficiencies as well as cost evasion by shifting responsibilities to external parties.

**Organizational Performance:** Organizational performance defines performance as a dependent variable and seeks to identify variables that produce variations in performance. Organizational performance increase business performance of Malaysia Airlines.

## Figure 4 Malaysia Airlines Global Map



(**Source:** travelisfree.com)

# CHAPTER 2: BUSINESS REVIEW

Business Review "section focuses on the latest business performance of Malaysia Airline Company, which is divided into four sections; each has reliable information about the current situation in each area:

* Operations
* Marketing
* Organization
* Financial Performance

# 2.1 (Factor 1): Operations

Malaysia Airlines Group is an international aviation organization, its equity and subsidiaries investment organizations in four different business areas: air transport services, aircraft leasing, ground services, as well as talent development. The group structure is to enhance the transparency of its individual operating subsidiaries and focus on the management of the company to create a separate business profit center subsidiary (REUTERS, 2014). This guarantees profit or loss liability and also unlocks the worth of various assets by improving new operational efficiencies. In addition to ensuring better governance and transparency, the business unit will flexibly explore opportunities to raise funds to make the subsidiary more responsive and competitive, thereby strengthening their position in the marketplace.

# 2.1.1 Economic environment for business operations

**PESTLE-analysis of Malaysia Airlines**

**Demographic Environment:** In 2016, Population of Malaysia is 31.19 million; and growth rate of population is estimated at 1.72%. As a result of population growth this year, the population of Malaysia is about 38.3 million. It shows great market in terms of potential because positive population growth rates are certainly positive signs for Malaysia Airlines.

### Table 2: Number of Passengers 2014

|  |  |
| --- | --- |
| Years | Passengers |
| 2013 | **21.8 Million** |
|  |  |
| 2014 | **22.1 Million** |
|  |  |

**(Source:** time.com)

**Economic environment:** GDP growth rate of 4.2% in Malaysia in 2015 and unemployment rate of 3.45%. Economic environment represents range of unmanageable and uncontrollable for the Malaysia Airlines variables.

**Social and cultural environment:** Social factors include demographic changes, people's culture, behavior, buying patterns, etc. One important social issue in the past decade has been the replacement of human labor by technology. The more Malaysia Airlines become advanced and modernized less manual skills are required. Unfortunately, layoffs are ongoing.

**Ecological environment:** The world infected with influenza A (H1N1) global pandemic as well as SARS. These factors have, to a certain extent, changed the insight of air travelers, claiming that air travel is no longer safe.

**Political and legal environment:** In case there is a terrorist incident in Southeast Asia, Singapore and in any other country Malaysia Airlines have to stop their flight's destination for that particular time period. Malaysia Airlines is characterized by Malaysian government intervention along with their control. As a result, the charges for Malaysia are very low in the county. Foreign airlines cannot compete at this low price, the overall industry and Malaysia Airlines profits negatively affected.

## Figure 5: Malaysia Airlines Porter’s 5 Forces Model

|  |
| --- |
| Threats of New Entrants  National Airlines, Foreign Airlines  Budget Travelers  Pleasure Travelers  Business Travelers  Bargaining power of Suppliers  Fuel Companies  Aircraft Companies  Bargaining power of Buyers  Travelling alternatives  Technology Alternative  Substitutes |

**(Source:** cluteinstitute.com)

**Porter`s 5 forces of Malaysia Airlines**

**The threat of new entrants:** Malaysia Airlines is affected by new entrant’s threats in the international arena even though the firm is in the industry for a long time; but still company does not have a stable as well as mature position in the airline industry. Although the organization might sometimes be threatened after MH 17 shot out (Nasim and Sushil, 2014). Malaysia Asian airlines competitors are Tiger Airways and Berjaya Airways.

**The strength of the customer:** In Malaysia, several airline firms are present, for example, KLM and Emirates Airlines, which provides value or worth for money to their customers so that they fly overseas mostly to Europe, as a result, international flights operations for Malaysia Airlines are affected badly.

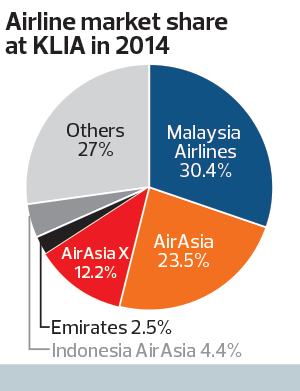
**Supplier Power:** Bargaining Suppliers power is very low in Malaysia Airlines because several suppliers are present in the aviation industry so that airline product manufacturers can simply switch to some other suppliers picking by several qualifications: cost, quality, delivery of products and services.

**Substitutes:** Malaysia Airlines face threat of substitutes which is products and services threat that replaces original products and services. Not only for other airlines, but travelers also choose other transport systems for example trains and buses (Lazzarini, 2017).

**Competitors:** Malaysia Airlines competes with other major competitors in Asian aviation market; one major competitor of MAB is its neighboring airline Singapore Airlines. Singapore Airlines Company has been providing attractive promotions as well as discounts to customers, all of which have affected the operations and profitability of Malaysian Airlines in full-service carrier marketplace badly (Lazzarini, 2017). Qantas offshoot Jetstar, Indonesia’s Lion Air and Thai Airways are also competitor companies of Malaysia Airlines which effects brand image of Malaysia Airlines (Ehbara and Shukor, 2016).

Malaysia Airlines was reporting very negative cash flow from different operations in the company from last five years. In 2015, negative cash flow of Malaysia Airlines was approximately $ 157.2 million. However, in 2016, Malaysia Airlines had reported cash outflows approximately $ 41.6 million from company’s operating activities. This negatively affects the financial health of the company. Malaysia Airlines still using a large amount of capital to run their business efficiently for providing brilliant services to their customer. As a result, risk that is incurred by Malaysia Airlines in the coming future is high. Malaysia Airlines lose almost 6,000 employees following the MH17 and MH370 disasters. Reconstructing the company will undoubtedly provide him with the toughest challenge - requiring him to rebuild a brand. 2014 disastrous experience, including the disappearance of flight MH370 and the shot out of flight MH17, caused major financial and image damage. On the other hand, unprofitable long-haul routes such as Europe also affect Malaysian Airlines' productivity. Then there is the route problem. Malaysia Airlines flew to Buenos Aires via Johannesburg and New York via Stockholm. It is questionable whether this prestige line is based on a difficult assessment of profitability. These loss-making flights have been declining thereafter. As part of the new round of reforms, there are signs that caravans like Paris and Amsterdam may have to be cut or cut along with Istanbul and Dubai (Mayberry and Mayberry, 2014).

## Figure 6: Malaysia Airlines Market share 2014



**(Source:** theedgemarkets.com)

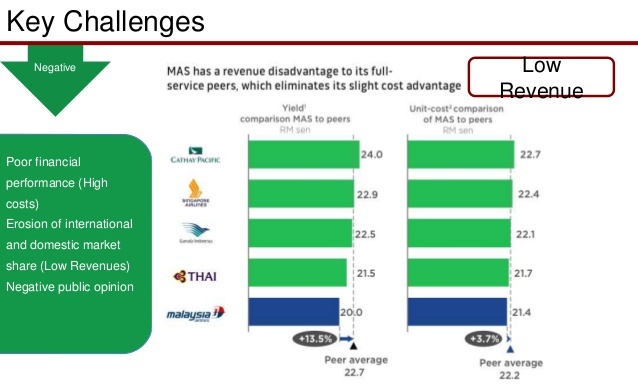
# 2.2 (Factor 2) Marketing

**Malaysia Airlines’ branding challenges:** From last two years, airlines have names that span every major publication, from marketing experts to the airline industry, to security reviewing every move. Due to the mystery of the airline MH370 still pending, millions of passengers today still listen to every airline's message. Dean Dacko, Chief Marketing Officer of Malaysia Airlines, speaking at the 2015 Digital Marketing Seminar for Adobe said: "This review may force you not to move, but we know we have to take action." He quickly admitted that in the past two years the airline is not always easy to navigate, describing the journey as "vague" and a bit "surrealistic." In the first 10 days after the MH370 tragedy, the company saw a huge commercial impact with an average of 100,000 cancellations a day for 10 consecutive days. The business impact is absolutely destructive, and its size is incredible. But more dramatic is the emotional component of the incident, as well as the impact of more than 500 lives for the staff and colleagues work together. Among a notorious group of shareholders and annoying customers, Malaysia Airlines has undergone many years of restructuring and losses (Nytimes.com, 2014). The company has now gained even more negative global recognition after the disappearance of a MH 370 jet aircraft. Malaysia Airlines is facing challenging 2013 due to increased competition from low-cost carriers in Southeast Asia(One Mile at a Time, 2016). Members of the new One world family have returned to black, with profits posted in the third quarter of 2012 and the fourth quarter of 2012. However, the financial market in Malaysia is still at a loss throughout the year and it will be difficult to achieve its full-year 2013 profit target. Malaysia Airlines operates in the highly competitive domestic market and competes with AirAsia on most routes. Malindo, a subsidiary of New Lion Airlines Group, launched service in late March 2013 in the Malaysian market. In the meantime, long-haul routes are still challenged. Malaysian Airlines significantly reduced capacity in its new business plan a year ago due to rising fuel prices and the global economic downturn (Timmons, 2014).

#### Chart 1: Malaysia Airlines widening losses

**(Source:** qz.com)

## Figure7: Key Challenges Malaysia Airlines face



(**Source:**onemileatatime.boardingarea.com)

# 2.3 (Factor 3) Organization

Malaysia Airlines not only poses several problems in terms of operational and financial issues, but also several management issues. Poor customer service and management system, the airline suffered serious losses. Many customers complain that their e-ticketing service is not very strict management. The reason is that although the information system is hugely invested, the customer database is not effectively monitored by management. The decision-making organization defers the solution that needs to be delivered to the customer as soon as possible. However, this problem does not stop there, in further management regardless of customer complaints, neither promptly refund, nor solve the e-ticket issue (The Conversation, 2014). After reviewing several issues from all angles, it is clear that Management Masters management is delaying a decision or, in some ways, taking the wrong approach to making the right decisions for the organization. Because of such issues Malaysian airlines suffered serious losses. Many customers complain that their e-ticketing service is not very strict management. The reason is that although the information system is hugely invested, the customer database is not effectively monitored by management. The decision-making organization defers the solution that needs to be delivered to the customer as soon as possible.

#### Chart 2: Would you consider flying with Malaysia Airlines

(Source: mejb.com)

According to this survey fifty percent people say no because of MH370 and MH17 incidents. Only thirty percent travelers want to fly with Malaysia Airlines. However, this problem does not stop there, in further management regardless of customer complaints, neither promptly refund, nor solve the e-ticket issue. There is no evidence that the cause of the missing aircraft is related to the operational oversight or mismanagement of Malaysian flag carrier Malaysia Airlines (Toh, 2017). The crisis seems to be caused by forces beyond the control of any airline management. However, their ability to handle the crisis later is far from enough. The structural reason is this: It turns out that the close relationship between Malaysia Airlines and the Malaysian government has proved very useful in the past and may in fact hinder its customer-focused efforts and best respond to the disappearance of the MH370. Airline responses are characterized by the lack of rapid and detailed information sharing with the defensive PR tools of media and missing relatives and public relations personnel, without showing a sense of urgency or clarity about effective crisis management (The Straits Times, 2016). This managerial inability to deal with the relatives of missing persons has become more and more serious as a result of the stringent security measures. Study material management to support aircraft maintenance. In the case of safety stocks that are determined using the rule of thumb that does not differentiate between demands changes, the low service level of consumables cannot be solved unless there is a change in the rules(Thestar.com.my, 2016).

# 2.4 (Factor 4) Financial Performance

### Table 3: Financial Analysis of Malaysia Airlines 2016

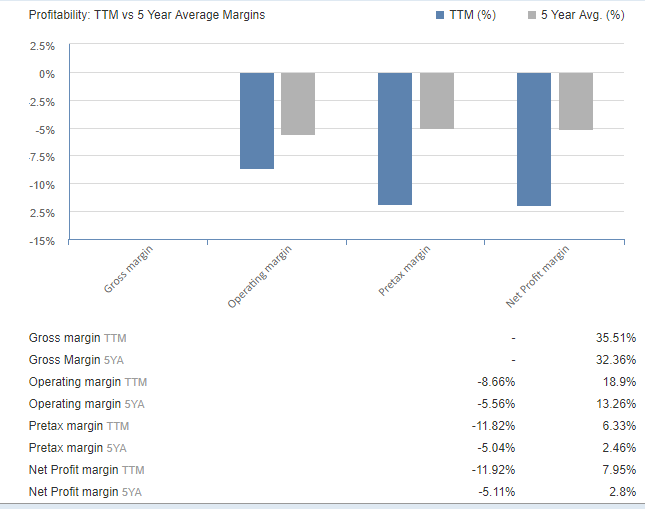


(Source: marketwatch.com)

**Malaysian airline valuation**

The EBITDA NTM ratio (furthermore known as EBITDA multiple and enterprise multiples) is the company's valuation target, which compares the company's general value with its ability to operate. The EBITDA ratio is common for business evaluation because it signifies whether the company could be underestimated or overestimated compared to business peers. The EBITDA ratio is an accurate measure than P/E ratio, as it takes into account the company's pure operating rate of return and the company's overall value indicators, including financial liabilities, cash conditions and minority interests are measured Key indicators of enterprise market value. Malaysian airline's EBITDA NTM ratio was significantly lower than its peer’s median: about 6.00. As per these financial ratios, the valuation of Malaysian Airlines is lower than that of the interbank market (Marketwatch.com, 2017).

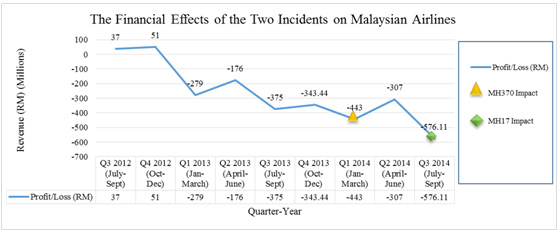
#### Chart 2: Malaysia Airlines Profitability chart



(Source: marketwatch.com)

Malaysian Airlines' EBITDA NTM ratio is much lower than the average rating of its airline: 5.89. As per these financial ratios, MAB valuation is lower than its market valuation. The EBITDA NTM ratio of the Malaysian airline system is considerably lower than the historical 5-year average: 17.3. As a result, Malaysian Airline's valuation is below its assessment level over the past five years (Financial times, 2017).In 2016, a number of small investors at the Malaysian Aviation Training Center gathered around the pragmatism of the Malaysia Airlines Training Center to prepare for the company's annual general meeting, frustrating sentiments in the room. Investors are still unable to create sustainable profits after investors’ question why directors have been reorganized for so many years. The airline suffered a loss of $ 374 million in 2013. Despite the company's plan to turn it into a profit, its loss for the first three months of this year was the largest loss in 10 quarters. The disappearance of MH370 exacerbated the situation (Nytimes.com, 2014). Local media have already suggested cutting 20,000 airline workers, selling ancillary units such as engineering and cargo operations and even privatizing them. Jerry Lee of RHB Research said: "There are fewer opportunities to generate revenue due to the MH370 incident." They are in desperate need of studying what they can control. Both analysts believe the layoffs are between 2,000 and 4,000, and the unhelpful route is also necessary (Malindo, 2013). After the disappearance of Flight MH370, airlines reported a loss of 443 million ringgit ($ 139 million) in the first quarter, while Compared with RM797 million for the same period as passengers, especially those from China, chose other airlines and non-Malaysian destinations, and the recent tragedy is likely to further push down the number of passengers, although early indications were that the airline and its pilots were not this area flies.

## [Figure 8: Financial effects of MH370 and MH17 incidents](#_Toc498312636)



**(Source: mejb.com)**

"Malaysia Airlines, like other airlines, has been using it for its short run, which means less fuel and less money (Malindo, 2013). Most commercial airlines are flying at high altitudes, which are believed to be too high for military strikes. According to the "Daily Telegraph" reported that Malaysia Airlines was shot down after the flight operated by Singapore Airlines and Kazakhstan Airlines flight to the same airspace. However, the two tragedies are not the only issues that Malaysia Airlines faces. Like other flagship carriers, it faces fierce competition from some low-cost airlines. Malaysia Airlines reported a loss of 359 million U.S. dollars last year. The loss in the first quarter was further aggravated by the disappearance of the MH370 at the same time, with a fifth consecutive quarter of deficit, partly due to the reduction of fares to fill the seats. In the end, the plight of airlines is a problem for the Malaysian government. The Malaysian government has a 69% stake in Khazanah Nasional, its investment arm (Mayberry and Mayberry, 2014). Malaysian Airlines reported a 75% decline in second-quarter profit due to the loss of two aircraft this year in a single disaster and passenger bookings continued to decline (Mayberry and Mayberry, 2014). The airline said its net loss in 2016 was about 307.1 million although it improved from a net loss of 148.0 million U.S. dollars in the first quarter. Second-quarter earnings in 2016 were the first to fully reflect the impact of March's unspecified missing flight on Flight MH370 on sales. The airline also warned that poor revenue in the second half, the average weekly bookings decreased by 33%, MH17 flight in Ukraine was shot down immediately canceled a large number of flights. Even before the plane crash, the airline was crowded with high-end rivals and Asian budget carriers. Malaysia Airlines has had to cut fares on most of the routes in an effort to attract the tightest passengers, although it is still too early to judge its success (Timmons, 2014). According to Australian media reports, travel commissions in Australia almost doubled to resume sales in Australia.

# CHAPTER 3: RESEARCH DESIGN

# 3.1 Research Methods

The Quantitative research methods are considered to be a better way to explain the causal relationship between multiple units, variables, factors, or phenomena. The objectivity of this quantitative analysis demonstrates the truth that research emphasizes the ability to measure and rely on standardized programs (Nielsen, 2011). The general reason of the quantitative research method is to generate and emphasize generalization and reproduction. The study will use a deductive "top-down" academic approach because it usually describes people's attitudes, personal feelings, opinions, or intentions to test the theory through observation (Guta, 2013). Numerical data collection using statistical methods always contains quantitative analysis. In the data collection instrument or tool, we can separate charts, formula-based calculations (Nielsen, 2011). The Internet review will be the primary research strategy for quantitative investigation. Leading this review to distinguish examples of Malaysian aircraft buys of populace information, from which you can discover helpful revelations. Take the worker's perspective of the organization's current items and administrations, and, the general heading of Malaysia Airlines advancement, help to additionally enhance the organization's item quality and operational execution of organization's activity to dispose of the hole.

### Table 4: Qualitative versus quantitative research



(Source: Guta, 2013)

# 3.2 Sample Unit

In order to develop a sample unit for the study, Malaysian Airlines' employee profile information is needed and it is obtained from Malaysia Airlines internal database, which is the case for the actual purchase. In the event that we get access to organization database and they allow us to separate required profile data, at that point the examination consider gets one extra strategy that is documented. In the event that we are not permitted to get to the organization's database, the examination will be totally done on the web. This is more reasonable because of time requirements and simplicity of look for respondents. Additionally, it is basic to get direct data and solid data from the Malaysian carrier administrations taking care of and support understanding(Sekaran, 2013). It is advisable to investigate the stratified sampling population, that is, persons from different social status, travelers of Malaysia Airlines, so that we can process and study the collected data for further statistical analysis and testing.

# 3.3 Sampling Method

Sampling based on convenience is the major sampling method we studied. This is basically a non-probabilistic sampling technique that is selected just because of its proximity and accessibility for the researchers. Researchers have the lowest cost in terms of effort and time but may lead to poor data quality and lack of intellectual credibility (Grooteman, 2011). In addition, uncomplicated random sampling will also be used to select respondents from diverse classes. The non-probabilistic sampling method provides two potential benefits – cost and convenience. The main drawback is that the non-probabilistic sampling method does not allow estimating the level on which sample statistics may differ from the group parameters. Only the probabilistic sampling method can carry out this analysis(Saunders, Lewis and Thornbill, 2009). Using the non-probabilistic sampling method, we never know about the probability that every population element is selected, and we cannot determine that each group component has a non-zero possibility to be selected (Grooteman, 2011). Assessments are browsed a wide scope of people chose from a specific gathering to pick up a total photo of the whole gathering. Testing times are exceptionally costly and tedious to gather information from the whole populace in the objective market, so via deliberately examining socioeconomics, we can utilize the basic patterns in the outcomes to precisely depict the objective market. Inspecting colleagues are picked on a non-arbitrary premise, so not every person has the chance to take part in the investigation. On the off chance that all subjects are engaged with information gathering, it is extremely compelling for test specialists to pick haphazardly. Testing at various stages gives an abnormal state of adaptability at all levels. Individuals from the example aggregate are chosen in view of the judgment.

# 3.4 Sample Size

The genuine sample unit (the number of Malaysian Airlines passengers) will be too much large to be explored. As a result, we will conduct research surveys through a sample size of 100 targeted respondents. As the study involves the company's global business, respondents may come from different cultural backgrounds as well as different countries. The survey is intentionally organized by counting upon it.

# 3.5 Location

For this study, 100 respondents from Malaysia were contributed by participating in the online survey. They are invited to take part through online advertising, social media, email campaigns as well as word of mouth. This report describes the main findings of this broad study. For employee satisfaction results, more than 200 travelers’ feedbacks are taken.

# 3.6 Data Collection Methods

There are usually two types of data collection sources: primary data and secondary data. Data collection technique or method utilized to collect primary data is through a self-managed questionnaire. It completely allows target respondents to fill questions with Malaysia Airlines as a company, as a whole, to express their views and to assist researchers in collecting data for testing, as well as, analysis (Van Velzen, 2016).The questionnaire consists of three different parts. The first part includes specific administrative questions for example personal information, respondent’s Malaysian airline services information or their previous experiences with Malaysia Airlines. The second part is the subject matter. These problems are mainly in the form of unstructured (open) way, usually non-causal research (Sekaran, 2013). Finally, last part includes blank areas where respondents leave their opinions or suggestions according to their own requirements. Any thoughts or ideas are welcomed as well as will be carefully considered. The questionnaires were created through Google (Simon-Moya and Revuelto-Taboada, 2016).

Researchers will also use qualitative research methods. The main information collected for qualitative examination will be obtained from many Malaysian aviation communities, most of which are created by geography and dedicated to specific Malaysian air services and products. Discussions among different members of these communities are often very passionate about the latest news, observations, events, and joint resolutions dedicated to the problems that often arise in the use of products and services(Saunders, Lewis and Thornbill, 2009).The secondary qualitative data or information of this study included the recording of written materials, commercial disclosure information, open answers to target respondents who shared their opinions or made recommendations, proposed further improvements in the company, provided more learning areas, and the final archiving studies from the original main business model review, and propose a future business plan as well as model in the second division of the research (Sekaran, 2013).

### Table 5: Summarized Data Needs Matrix

|  |  |  |
| --- | --- | --- |
| **Data Needs** | **Primary** | **Secondary** |
| Quantitative | Online Research survey | Factors of research  Operation;  Organization;  Marketing;  Financial Performance |
| Qualitative | Group discussions in Malaysia Airlines social media sites | Documentary Written materials: journals, books, digital sources, press releases, newspapers, websites.  Past as well as current financial reports, newsletters and disclosure reports.  Secondary data based on surveys, survey implications, survey results, respondent’s suggestions;  Archival Research; |

# 3.7 Ethical Considerations

Researches usually come across with certain limitations as well as ethical issues while conducting an academic study(Saunders, Lewis and Thornbill, 2009). One most anxious limitation is timeframes. The research subject is multilateral so that every section needs in-depth study (Sekaran, 2013). Besides, as soon as the questionnaire is drawn up, there is a need to place it in Malaysia Airline’s social media websites, in order to gain a feedback from respondents, however initially gain the permission from the administration of Malaysia Airlines online communities. In addition, respondents may face several difficulties while filling out questionnaires or some questions might cause misunderstandings (Roulston, 2017).

**I proclaim that all gathered information would not be a subject of alteration and would be addressed only for examination and exploration purposes.**

# CHAPTER 4: DATA ANALYSIS

# 4.1 Introduction

The data analysis section of this research paper shows the activities of Malaysian airline have attracted employees for a long time period. On the other side, it provided research zones. After the successful implementation of the marketing plan, Malaysia Airlines was witnessed for the complicated times. The key question is how to decide this achievement and the brand of Malaysian aviation find out to go back to the previous position.

# 4.1.1 Primary Data

***Q1. What is the most effective marketing policy in Malaysia Airlines Company?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Clustered Preference Marketing | 28 | 28 | 100 |
| Single-Segment Concentration Marketing Strategy | 40 | 40 | 100 |
| Yield Management Improvement | 20 | 20 | 100 |
| Joint Venture Approach | 12 | 12 | 100 |

### Table 6: Effective Marketing Policy

|  |  |
| --- | --- |
| Mean | 2.16 |
| Median | 2 |
| Mode | 2 |
| Standard Deviation | 0.971513 |

#### Chart 3: Effective Marketing Policy

Above Chart 1 effectively depicted that the Single-Segment Concentration Marketing Strategy has been considered as the most effective marketing policy of the Malaysian Airlines Company. Joint venture approach has been identified as least favorite marketing policy for Malaysian Airlines Company.

***Q2. What is the main reason for the company not to concentrate on the reducing number of deals?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Enough EmployeeBase | 30 | 30 | 100 |
| Management intention to shut down business | 10 | 10 | 100 |
| Management intention to invest in other business | 20 | 20 | 100 |
| High cost of closing the deals | 40 | 40 | 100 |

### Table 7: Main Reason for not concentrating on the Reducing Number of Deals

|  |  |
| --- | --- |
| Mean | 2.7 |
| Median | 3 |
| Mode | 4 |
| Standard Deviation | 1.27525 |

#### Chart 4: Main Reason for not concentrating on the Reducing Number of Deals

Chart 2 clearly depicted that the high cost of the closing deals are the main reason for the company not to concentrate on reducing number on deals. It also revealed that sufficient employee base also led to avoid partaking in new deals.

***Q3. What are the characteristics of the service of Malaysia Airlines?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| High level of safety | 24 | 24 | 100 |
| Structural Cost Management | 26 | 26 | 100 |
| Satisfy legal requirements | 40 | 40 | 100 |
| Conduction operation in an effective manner | 10 | 10 | 100 |

### Table 8: Characteristics of the Service of Malaysia Airlines

|  |  |
| --- | --- |
| Mean | 2.36 |
| Median | 2.5 |
| Mode | 3 |
| Standard Deviation | 0.958956 |

#### Chart 5: Characteristics of the Service of Malaysia Airlines

Figure 3 effectively disclosed that the major characteristic of Malaysian airlines is compliance with every legal requirement. Another two crucial characteristics were High level of safety and Structural Cost Management.

***Q4. Identify the most demanding features***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Food and Beverage | 14 | 14 | 100 |
| Seat Comfort | 16 | 16 | 100 |
| In-flight Entertainment | 30 | 30 | 100 |
| Value for money | 40 | 40 | 100 |

### Table 9: The Most Demanding Features

|  |  |
| --- | --- |
| Mean | 2.96 |
| Median | 3 |
| Mode | 4 |
| Standard Deviation | 1.062872 |

#### Chart 6: The Most Demanding Features

Chart 4, has been able to identify the most demanding features of Malaysian Airlines Service that is value for money.

***Q5. Identify the low demanding features***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Food and Beverage | 14 | 14 | 100 |
| Seat Comfort | 16 | 16 | 100 |
| In-flight Entertainment | 30 | 30 | 100 |
| Staff Services | 40 | 40 | 100 |

### Table 10: Low Demanding Features

|  |  |
| --- | --- |
| Mean | 2.96 |
| Median | 3 |
| Mode | 4 |
| Standard Deviation | 1.062872 |

#### Chart 7: Low Demanding Features

Chart 5, has been able to identify the least demanding features of Malaysian Airlines Service that is staff services.

***Q6. What are the financial conditions in the organization?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Profitability | 32 | 32 | 100 |
| Revenue | 24 | 24 | 100 |
| Market share | 20 | 20 | 100 |
| Cash flow | 24 | 24 | 100 |

### Table 11: Financial Conditions in the Organization

|  |  |
| --- | --- |
| Mean | 2.36 |
| Median | 2 |
| Mode | 1 |
| Standard Deviation | 1.167921 |

#### Chart 8: Financial Conditions in the Organization

Chart 6 depicted that the huge profitability is the parameter that can describe the actual state of the Malaysian Airline’s financial condition.

***Q7. What are the processes to maintain the organizational business?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Analyzing organizational policies and procedures | 20 | 20 | 100 |
| Implementing the training and skilled development program | 20 | 20 | 100 |
| Providing opportunities for individuals to improve himself | 44 | 44 | 100 |
| Implementing performance based management | 16 | 16 | 100 |

### Table 12: Processes To Maintain the Organizational Business

|  |  |
| --- | --- |
| Mean | 2.56 |
| Median | 3 |
| Mode | 3 |
| Standard Deviation | 0.988009 |

#### Chart 9: Processes To Maintain the Organizational Business

Chart 7 depicted that Malaysian Airlines believe that providing opportunities for individuals to improve themselves, can effectively lead towards efficient management of organizational business.

***Q8. What are the reasons behind the money related variances in the organization?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Sales | 32 | 32 | 100 |
| Variable Cost | 22 | 22 | 100 |
| Profit | 40 | 40 | 100 |
| Fixed Cost | 6 | 6 | 100 |

### Table 13: Reasons behind the Money Related Variances in the Organization

|  |  |
| --- | --- |
| Mean | 2.2 |
| Median | 2 |
| Mode | 3 |
| Standard Deviation | 0.963998 |

#### Chart 10: Reasons behind the Money Related Variances in the Organization

Chart 8 also depicted that the profit is the major reason for the money related variance in the Malaysian Airlines.

***Q9. How can Malaysia Airlines calculate to achieve the money soundness?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Liquidity Ratio | 6 | 6 | 50 |
| Profitability Ratio | 40 | 40 | 50 |
| Efficiency Ratio | 32 | 32 | 50 |
| Leverage Ratio | 22 | 22 | 50 |

### Table 14: Achieve the Money Soundness

|  |  |
| --- | --- |
| Mean | 2.7 |
| Median | 3 |
| Mode | 2 |
| Standard Deviation | 0.881917 |

#### Chart 11: Achieve the Money Soundness

Chart 9 also disclosed that the participants believe Malaysian Airlines can calculate money soundness through the profitability ratio as the most effective method.

***Q10. What is the process for management of the company adopted to operate its business?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Passenger System | 28 | 28 | 100 |
| Business System Customs | 20 | 20 | 100 |
| Business System Airline | 44 | 44 | 100 |
| Business system Baggage transportation | 8 | 8 | 100 |

### Table 15: Business Operation

|  |  |
| --- | --- |
| Mean | 2.32 |
| Median | 3 |
| Mode | 3 |
| Standard Deviation | 0.973176 |

#### Chart 12: Business Operation

Chart 10 also disclosed that the Business System Airline is the crucial process which can lead towards effective business operation.

***Q11. What is the major cause for economic fluctuations in Malaysia Airlines?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Huge Competition | 20 | 20 | 100 |
| Rise in Oil price | 12 | 12 | 100 |
| Loss of Brand Image | 48 | 48 | 100 |
| Change in Employment Legislation | 20 | 20 | 100 |

### Table 16: Economic Fluctuations

|  |  |
| --- | --- |
| Mean | 2.68 |
| Median | 3 |
| Mode | 3 |
| Standard Deviation | 1.013844 |

#### Chart 13: Economic Fluctuations

Chart 11 has been successful to disclose that the loss of brand image is prime reason for economic fluctuation in Malaysian Airlines.

***Q12. What action Malaysia Airlines should take to achieve the financial soundness?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Incorporating New organizational policies | 40 | 40 | 100 |
| Restructuring its price structure | 10 | 10 | 100 |
| Introducing impressive service range | 10 | 10 | 100 |
| Cost Cutting | 40 | 40 | 100 |

### Table 17: The Financial Soundness

|  |  |
| --- | --- |
| Mean | 2.5 |
| Median | 2.5 |
| Mode | 1 |
| Standard Deviation | 1.366999 |

#### Chart 14: The Financial Soundness

Chart 12 effectively revealed that in order to achieve financial soundness the Malaysian Airlines must adopt incorporation of new organizational policies as well as cost cutting earnestly.

***Q13. How far do you agree Malaysia Airline’s vision and mission is effective in the context of current market?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Strongly Agree | 28 | 28 | 100 |
| Agree | 44 | 44 | 100 |
| Neutral | 2 | 2 | 100 |
| Disagree | 14 | 14 | 100 |
| Strongly Disagree | 12 | 12 | 100 |

### Table 18: Malaysia Airline’s Vision and Mission

|  |  |
| --- | --- |
| Mean | 2.38 |
| Median | 2 |
| Mode | 2 |
| Standard Deviation | 1.346751 |

#### Chart 15: Malaysia Airline’s Vision and Mission

Figure 13 depicted that the participants believe that Malaysian Airlines’ vision and mission is not at fault for the business turmoil. Rather they are quite effective for achieving business growth in future.

***Q14. What is the most effective technology used by Malaysian Airlines?***

|  |  |  |  |
| --- | --- | --- | --- |
| Options | Responses | Response Percentage (%) | Total Respondents |
| Space based flight tracking technology | 24 | 24 | 100 |
| Use of Social Media Advertising | 22 | 22 | 100 |
| ICT System | 14 | 14 | 100 |
| SAP | 40 | 40 | 100 |

### Table 19: Effective Technology

|  |  |
| --- | --- |
| Mean | 2.7 |
| Median | 3 |
| Mode | 4 |
| Standard Deviation | 1.226805 |

#### Chart 16: Effective Technology

Chart 14 disclosed that SAP has been most effective technology for Malaysian Airlines in order to compete in this contemporary market.

# 4.1.2 Secondary data

***Marketing policy of Malaysia Airlines Company:***

Malaysia Airlines Company has implemented the few marketing strategies. One of them is website that is very much effective for this company. Shaw, 2016 stated that around 83% travelers visited their website to search travel plan. On the other hand, the data of Google showed that a raise of greater than 140% year related to travel enquiries on its site google.com. The management of Malaysia Airlines implemented the overall engine search marketing strategy with the help of the targeting and potential visitors as well as employees among the five stages of travel. The motivated to run ads for highlighting the new target employees by providing the innovative allowances who were belonging from India while Malaysia thought to increase the limitation related to baggage weight. This airline incorporated the keywords of high performance to develop their draw backwards. In 2014, Malaysia Airlines is seeking to enhance their investment in search constantly.

***Financial Condition of Malaysia Airlines Company:***

In the present market condition, there is a big challenge of Malaysia Airline Company that operating cost (costs of passenger per available seat kilometer) is higher than the organizational revenue (revenue per availability seat kilometer). The evaluation of investment describes MAS could minimize profits between RM 3.0 and RM 4.5 billion between 2014 and 2016 and run out of cash before 2015 end (Prigerson&Maciejewski, 2017).

***Economic situation of Malaysia Airlines Company:***

The revenue of Malaysia was increased by 15% per year through engine search. On the other hand, market of search engine contributed revenue by 25% in the same time. However, the airline had to realize the importance of savings in distribution costs such as web bookings. Ismail &Jenatabadi (2014), stated that Malaysia Airlines was reduced its losses around 500% from RM 2.5 billion to RM 500 million. The internal analysis of Malaysia Airlines showed that the value of average order of the visitors who visited the MAS website with the help of the Google Search, volume of this was around 12%.

***The effectiveness of vision, mission and important purpose of Malaysia Airlines Company:***

According to Nel (2014), the vision and mission of Malaysia Airlines are effective for building up their brand image and brand reputation with the help of their efficiency and personal touch. They are successful to provide services related air transport and air travel. They are able to earn their ranking position that is best among the other competitors in context of comfort, punctuality and safety. They are able to proof themselves that they are one of the best global airlines. In addition to this, they are unique air travel founder in Southeast Asia. However, Malaysia Airlines was faced several challenges in their business journey. They had to recover their revenue and they were facing hard headwinds also.

# 4.2 Discussion:

In the data analysis section of this research paper, data analysis is described about the marketing policy of Malaysia Airlines, financial condition of Malaysia Airlines Company, effectiveness of vision, mission and important purpose of this company and its economic condition. In this information investigation, there are such huge numbers of surveys to examine the business advancement intend to enhance the business execution of Malaysia Airlines in Malaysia. These information are demonstrated that Single-Segment Concentration Marketing Strategy, High cost of settling the negotiations, Satisfy legitimate necessities, Value for cash, Staff Services, Profitability, Providing open doors for people to enhance himself, Profit, Profitability Ratio, Business System Airline, Loss of Brand Image, Cost Cutting, Agree with Malaysia Airline's vision and mission is viable with regards to current market, and all are high in the essential information examination. This information examination additionally created by the optional information. Then again, the writing survey part is completely upheld by the information examination.

# 4.3 Summary:

This assignment helps to find out the effective marketing strategies to improve the business performance of Malaysia Airlines. In this data analysis section, SPS analysis is done with the surveyor questionnaires within the 50 respondents to get the process of achieving the organizational objectives, aim and goals. Malaysia Airlines will benefit to compare with the competitors in the current market with the help these statistical data.

# 4.4 Business Implications

Conducted survey and the consideration of chosen business review factors have fostered the identification of main areas of improvement and facilitated the processes of construction of the business model and business plan. During data analysis stage of the research, following implications were revealed:

Malaysian airlines are working to improve the brand image; they have suffered over the past three years because of disappearance of MH370 and shot out of MH17 in Ukraine(Kang, 2017). The struggling airline announced Izham Ismail as new CEO of the company after it emerged that their current boss is suddenly leaving (Malaysiaairlines.com, 2017). Izham is company’s fourth CEO.Izham is taking over the task of revamping the struggling carrier from Peter Bellew, who is returning to Ryanair after barely a year, running Malaysia Airlines. The company said in a statement that Izham's appointment is in line with Malaysia Airlines' succession plan, which provides for the development and succession of Malaysian leadership talent. It’s the correct move as per one of the experts Brendan Sobie at Center, for Aviation. At this moment, delegating appointing from inside the organization ought to guarantee that there is no interference with the change. The carrier company has made some forceful cost cuts recently, shedding around 6,000 occupations and rejecting the vast majority of its whole deal courses to concentrate on flights inside Asia.

**Improvement of employee relationships**

During this research, it has been found out that Malaysia Airlines should value their employees. Hence, it is important to conduct as well as control the development and training of employees. Malaysian Airlines will replace a new traveler reservation system on June 10, 2017. The innovative technology will completely replace the existing system, which started almost ten years ago. This refresh enables Malaysian Airlines to meet changing traveler’s desires and needs, which ultimately provides better service to them. Once complete, the robbers of travelers may expect a more experienced, more than booking tickets, buying markets, food and loyalty issues, on the click of the button (Malaysiaairlines.com, 2017). Normal fault schedules are being run and will not at all affect by this change, nevertheless, this time it will surely be necessary to temporarily delay the technology related to a certain clientele. This includes booking of tickets and changes to all the channels, such as the internet, call center, mobile, ticket counter and travel agents. MAB is working hard to ensure that its client's travel requirements are handled as easily as possible. The number of domestic workers will increase to offer any type of help(Kang, 2017). Malaysia Airlines Company will run its usual flights program because the upgrade does not affect the aircraft system. Passengers traveling on electronic tickets will be required to bring a copy of e-ticket to the airport.

On the other hand, the company will also decide to start several new flight routes and expansion of new flight routes are to India, China, and North Asia and which is expected to start in December2018, and it would become the key to Malaysian Airlines turnaround story. Taking the correct courses, enhancing the deals and showcasing and by expanding the heap factors, the organization should build the income. Next year, the organization is relied upon to have the capacity to equal the initial investment over a portion of the quarters, begin making benefit and to indicate steady benefit in the coming years(New routes to help Malaysia Airlines turn around next year, 2017).

# CHAPTER 5: BUSINESS MODEL

# 5.1 Business Model Canvas

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Strategic Partners  *\* Safety First.*  Partnering with Emirates airlines and one world | Key Resources  \**Value chain* analysis as a chain of creating activities (inbound logistic, operations, outbound logistics, marketing& sales, and service)  outboutbound  Key Activity  Internet dependency for operational and strategic management. | Value Proposition  To be a largest low-cost airline  Create a internationally familiar Malaysian brand  To attain lowest cost airlines  Maintain high quality services and products | Channels  Lean Sigma channel, Malaysia Airlines Selects Flight Management System from Sabre Airline Solutions  EmployeeRelationship  Low fare,and No frills | Employee Segments  Serving more than three billion employees who are presently underserved with high fares and poor connectivity. |
| Cost Structure:  Low operating cost , Low airport fees, Low wages, Low cost for maintenance, cockpit training, simple boarding processes, High resource productivity, high percentage of online sales. Malaysia Airlines restructuring: Cost cuts must be deep to improve short-haul competitiveness | | Revenue Stream:  Low price = increase employee  Low cost = through a simple online system =increase employee = increase revenue. | | |

# 5.2 Business Model Elements

**Strategic Partners**

Malaysia Airlines continues to emphasize that collaboration is part of code-sharing production strategies and partnerships. The airline's new regional focus simply makes it attractive, but it furthermore needs to expand partnerships to achieve growth and profit. Malaysia Airlines has been working with Emirates from early 2016 and work with one world since 2013. However, Malaysia Airlines did not fully cover Emirates' relationship and its membership on one world. In addition, to correctly promoting its campaign and integrated airline strategy, Malaysia Airlines and Code Sharing and Emirates have established a comprehensive partnership to restore long-term redemption (Malaysia Airlines post restructuring strategy evolves with Emirates partnership, 2017).

**Key Activities**

* Increasing the production of emerging countries
* Auxiliary Business Split
* Launched new regional high-quality airlines

**Value Proposition**

**Dependency on internet technology for operational and strategic management**

Malaysia Airlines' value delivery is simply created by offering the latest technology to employees, once grasped and available for the general purpose. Malaysia Airlines has always been to promote innovation in all aspects of the enterprise, and strive to provide convenience for everyone, and now the aviation industry's technological progress will be more cost-effective and fuel-saving direction. As a result, Malaysia Airlines aims to expand its product and service portfolio to its entire global employee base (Asianaviation.com, 2017).

**Employee Relationships**

The representative is the essential assignment of Malaysia Airlines. Also, to the continuous presentation of new items and administrations, the organization will attempt to enhance customer fulfillment some time recently, amid, and after each flight. Malaysia Airlines has reliably satisfied its image picture guarantee at all channels and outskirts. In coming days, Malaysian Airlines will likewise going to put resources into heaps of procedures and apparatuses, and additionally prepare the association to cross-utilitarian and level to organize and actualize the Malaysian aeronautics mark guarantee (Ramco, 2017).

**Low fares, no fillers:** Malaysia Airlines Company is the nation's premier airline, first introduced "no ticket" travel. With the well-known slogan "#today is here". Malaysian Airlines is also committed to providing guests with go, suitable and fun air travel.

**Key Resources**

From the value chain analysis, concluded that Malaysia Airlines revenue is based on a good service. Alternatively, to reduce costs, Malaysian airlines need to pay more attention to product and technology development; for example, reducing the cost of materials services research, while maintaining quality service. In addition, aircraft maintenance and other operations need to be more efficient. Therefore, MAB needs to understand business cycle in order to take advantage of this effect, especially, when the free income in addition to employee spending patterns modification. By coordinating with value chain analysis actions, Malaysian Airlines can reduce its cost structure and improve the worth of the results of the product. In addition, proper coordination with its affiliates, suppliers, and employees can reduce costs and strengthen the links between the employee and the company (Menon and Menon, 2011). As a result, Malaysia Airlines can achieve major and secondary performance improvements and achieve higher profits in the procedure. Finally, the tragic impact of the MH370 and MH17 can seriously affect the Malaysian aviation business, which poses a serious threat to Malaysia Airlines business.

**Channels**

Malaysia Airlines deployed Movement Manager, which is a part of Saber Airline Solution Suite, to enhance monitoring as well as scheduling of day-to-day flight operations. Air Solutions Suite is known for its reliability and flexibility in its open system architecture and plays a key role in Malaysia's integrated operations program (Slater, Hult and Olson, 2015). The execution of the Movement Manager is the first component of construction of an Integrated Operations Center in Malaysia, which will then include other management and operational support or assistance solutions to consolidate the business and business applications as well as its processes of multiple airlines. Malaysian Airlines began to transform the project into Kuala Lumpur call center. The goal is to improve the quality of service by providing employees with the adaptability or flexibility to communicate new channels through e-mail, web chat and fax. Automate manual processes all through the call center and redesign its call center utilizing Lean Six Sigma method.

**Employee Segments**

Presently most people are fully satisfied with the Malaysian airline's promotion package, the price is reasonable, product availability, understand the specific needs of employees, provide the speedy services and there is no error in the services. Employees might be extremely involved when the service or product is costly and the frequency of purchase is not high. Often, employees have a lot of knowledge about product categories (Ang, 2017). MAB buyers assess the total amount they reimburse for the services they receive. Malaysia Airlines has been focused on employee behavior and needs. In the first quarter of 2017, traffic grew by 5% to 3.8 million employees. Chief Executive Peter Bellew state that the booking for the previous quarter was accelerated by focusing on high-end business travelers as well as all-inclusive economic class rates. Malaysian Airlines staff has been working to improve the employee service of people who are currently poorly serviced and who are less connected and have higher fares, reflecting the increase in bookings.

**Cost Structure**

The parent company of Malaysia Airlines, Khazanah's banking business is difficult to accomplish a combination of yield improvement and cost reduction as a part of an improvement plan, intended at recovering earnings by the end of this year. The new program requires MAB to focus mainly on regional operations in the Asia-Pacific region, with prospects for Pacific, growth and sustainable development, and competition is intense. It is not easy to raise revenue in a price-responsive short-haul passenger-dominated competitive market(Ang, 2017). The cost should be compact to a more competitive level because MAB cuts 6,000 jobs, however, this can only solve multiple challenges facing dirty flag operators. Malaysia Airlines also open seven crew bases in Malaysia, moving 18 Boeing 737-800 people, local hiring cabin crews and pilots to Kota Kinabalu, Meili, Kuching, Labuan, Kota Baru, Penang and Johor Bahru. This is expected to enhance the connectivity of domestic networks as well as service quality.

**Revenue Stream**

Amadeus is a provider of technology and software solutions for travel industries, working with Malaysian Airways to enhance the employee experience with easy merchandise sales. With this technology partnership, the two sides will concentrate on strategic areas - change the airline's passenger services business, improve travelers' online shopping practice, as well as, developing revenue streams(Thestar.com.my, 2017).The pedestrian bureau is profitable in business and will return to the end of 2018. According to the 12-point MAB recovery plan established in August 2014, MAB needs RM6bil to revoke, reorganize and adjust manpower. MAB demise costs $ 140 million, restructuring and layoffs cost RM161 million, while the enduring £ 33 million capital will be phased in from 2014 to 2016. The airline's load rate is 71 percent to 73 percent in coming months.

# CHAPTER SIX BUSINESS PLAN

# 6.1 Vision & Mission

**Mission statement:**

**For organization:**

* Provide structured and systematic training tailored to business objectives to enhance business performance.
* Achieve the success of change agenda through common behavior and values.
* Advocate exchanging knowledge, experience, best practices, problem-solving methods, and encouraging innovation.
* Connect employees and employees through community and purpose sense.

**For people:**

* Our goal is to develop efficient personal contributors.
* We strive to provide you with technical skills and professional skills to achieve your full potential.
* To create visionary business leaders and encouraging managers.

**Vision statement:** Through the strategic and comprehensive development and learning opportunities, the Group has become the focus of the development of talent, a regional aviation business, the premier education center.

# 6.2 Objectives

A marketing objective is a goal set by business to promote a product or service to a potential employee during a specific period of time. The marketing goal is to set the marketing plan to accomplish overall organizational goals.

**Use of alliances & strategic partnerships:** Malaysian Airlines officially signed a global air cooperation contract with Emirates this quarter, both of which have placed its code on Kuala Lumpur to Dubai route and some other routes under this agreement. Code sharing is an essential part of the airline's future network preparation because it concentrates on providing employees with an unparalleled number of new destinations by providing unprecedented access to the Emirates network, connecting employees to the world.

**Malaysian flavor client-centric products:** This season launched a new menu that shows Malaysian diversification and unique tastes. In addition to the new menu, this quarter is also for the first-class passengers to provide a personalized "on demand" service, guests can easily eat the food. Services will be launched in the coming months to the business class. For the short-distance economic passengers, also introduced a hot meal, has received a very positive response from the employee. Looking ahead, Malaysia Airlines will work with leading culinary and hotels professionals to further attract Malaysian five-star experience.

**KLIA Consolidation of Major Terminals:** Malaysia Airlines plans to focus on its operations on the KLIA main terminal building in order to ensure the convenience and connectivity of passengers. The plan means that ASEAN passengers are quicker to connect between domestic and international flights. Definitely, this will advance flight connection time, provide faster and more reliable baggage transmission, and eventually ensure enhanced employee satisfaction.

# 6.3.1 Segmentation,Targeting & Positioning

**Segmentation**

Segmented marketing is the popular marketing type in many airlines (including MAB). Niche marketing involves a very small group of people whose desires are not satisfactory. In particular, in Malaysia Airlines, an example of niche marketing might involve the use of private aircraft for domestic and international travelers. The basis of division can be separated into four categories: geography, population, psychology, and behavior. These are extensive basics of segmentation, and these foundations can be separated into some more categories. Need to take into account the particular characteristics of a relevant industry to be broken down. Certain factors to consider in the segmentation include the feasibility, measurability, and accessibility of the market segmentation. The main role of the priority segment in the market segmentation is divided into three categories: homogeneity, diffusion, and clustering. There is no difference in employee preferences. Alternatively, the preference for diffusion is linked with a very high-level diversity that is favored by the employee. Finally, clustering preferences engage the configuration of leaning clusters based on specific subdivision. According to the above classification, the preferences of Malaysia Airlines can be classified as clusters. Also, MAB service is provided to the individuals within the group according to common characteristics and needs.

**Targeting**

Positioning involves selecting specific groups recognized by segmentation, results to sell services and products. The choice of target market can be promoted according to the following pattern at Malaysia Airlines:

* Business may be a single product for a single market.
* Business might target diverse market segments for different products.
* Numerous market segments might be targeted with similar product or service.
* All market segments on the market are likely to face a broad range of services and products.

MAB follows a single-segment centralized marketing plan by providing three different service packs to different employee groups. Specifically, MAB for diverse employee groups, for three levels of services: economic, first and business class. Flyers look forward to the airline's behavior more like a retailer than a transportation industry. Most of the technology of the leaflets is equipped with mobile phones as personal communications equipment. More business travelers are based on extensive functionality plus value-enhancers, making access decisions from comprehensive seat space alternatives and priority secure access to mobile based ticketing as well as Wi-Fi availability. Employees have their individual preferences and are eager to pay for various amenities. Business travelers' buying habits are changing dramatically. Advanced segmentation is a very demanding and challenging requirement, so MAB must plan to capture business travel market.

**Positioning**

The People's Bank of China is carrying out banking business through long-time flights and new regional quality operators will be able to win high-end employees who, they lost recently due to the aging of their fleet and their products. Revenue management improvements, one world members, and latest sales programs are designed primarily to increase business income and end the strategic sales promotion ahead of Malaysia Airlines brand building practices that will further help these efforts. MAB now serves destinations such as Australia as well as Auckland in the NZ. Operators said they are now "selecting partners to explore joint ventures" as a part of the new focus of the alliance and partnership identified in the fresh business plan. Malaysia Airlines believes that initiatives once identified in a business plan, including cooperation with AirAsia, have completed a new partnership with AirAsia and MAB had joined the world in the third quarter of 2012 and spin off several nonprofit Organizations, core business. The carrier's goal is to achieve yearly after-tax revenue of KRW 900 million in 2016.

# 6.3.2 Marketing Mix (4Ps)

Malaysia Airlines is Malaysia's largest airline, its international destination and fleet size flights. To maintain organization’s position as the leading airlines, Malaysia Airlines has established a high standard in the terms of services and products.

**Product and Service**

Malaysia Airlines provides three travel courses on international flights, including business class, economy, and first class. Malaysia's domestic service has usually only two classes. Malaysia Airlines quality cabins and economy class received several awards for products and services. MAB offers products that are outstanding in meeting buyers' needs and desires. Malaysia Airlines tries to meet all the needs of their employees. First, it offers air tickets at an affordable price to meet their employee’s desires. Second, the airline connects with some world's busiest airports, which offer outstanding scheduled flights to each and every destination. Third, airlines tend to provide the most advanced flight service to all employees by providing them with comfortable seats, hot meals, fresh drinks, beverages and even recreational activities. The airline can also provide magazines, through the staff you can also choose other forms of entertainment, such as film collection, television programs, and radio channels.

**Pricing**

MAB has carefully preserved its pricing policies so that everyone can take advantage of its services. They try to maintain a pricing policy that is equal to the price offered by the company. The company's strategy is that the employee is the decision maker, who decides the total expenditure. Employees can purchase tickets at the base price, without any additional value added, or even choose the different services they need. The economic pricing strategy applies to people who want low-cost tickets. The mid-price pricing strategy applies to those who need to bring benefits and the preferential price strategy for those who like to travel, enjoy the airline provided by all the high-end concessions. This method of dividing pricing policy helps people and the biosphere to maintain high standards and create profits during such competition. Airlines are constantly modifying their competitive pricing policies to maintain loyal employees. Their way of valuing tickets with perceived value has proven to be a successful story.

**Place**

The place plays an essential and unique role in the marketing strategy. The fact that people and the biosphere are recognized has been committed to merging and liaising with world's most important destinations. Since the company's base is Malaysia, MAB conducts most of its everyday activities at its operating base and its surroundings. The company successfully upgraded and developed its infrastructure to carry out safe and reasonable activities. MAB join hands with several airport authorities to successfully carry out business activities. MAB have their individual warehouses, sometimes associated with other organizations in the warehouse, for the carrier, to provide maintenance services for the aircraft. Their foremost channel distribution products are through call centers, travel agencies, and online websites. MAB also emphasizes easy access to all locations to achieve fast and smooth transactions. It also has an official website for presenting various services such as information on outgoing and incoming flights, changes to flight schedules, purchase of air tickets, air tickets cancellation, information on current discounts and parcels provided by airlines.

**Promotion**

The development and maintenance of promotional strategies have been seen as a considerable innovation to communicate with all employees to maintain a different strategy. Create a mobile-based application for specific airline employees so that they can easily book and get the added benefits. To promote the products and services of the company, Internet techniques have been adopted, as a skilled employee can save time through online booking tickets. To ship off-season marketplace, Malaysia Airlines tend to offer discounts to their employees. In order to promote the company and its services and products, MAB takes help from electronics as well as print media. TV channels, the Internet, magazines, and billboards are diverse promotional strategies for the company, where popular and active advertising helps to maintain and create a client base. Sponsorship is also part of its promotional strategy because the company's health awareness plus its services must be generated in the company. Malaysia Airlines has become synonymous with reliable airlines and luxury, dedicated to providing safe and timely travel.

**Strategic Growth (Ansoff Matrix)**

## Figure 8: Ansoff Matrix

**New Markets Current Markets**

**Current Products New Products**

**Market development**

**Product development**

**Diversification**

**Market Penetration**

(Source: quickmba.com)

**Market Penetration:** Malaysia Airlines increases the share of accessible marketing within its present product range. As Malaysia Airlines is not the only operating area in Singapore, Thailand as well as Indonesia, so Malaysia Airlines should do business in other regions, extending route networks and frequency flights to India, China, Arab or European destinations. This will open up several opportunities for Malaysia Airlines, not just the preeminent low cost however long-distance airline. In the case mentioned in the above-mentioned areas, there are some issues that need to be approved because it requires the consent of the two countries.

**Product development:** To produce attractive services and products, Malaysia Airlines can modify existing services or products and produce new services or products for existing markets. As the Asian Airline booking system is mainly through the Internet, employees around the world will not allow other employees to take benefit from this service, so Asia Airlines can invent another manner to promote products to employees. In addition, to booking a call center, Malaysia Airlines can partner or collaborate with a number of radio or television stations to promote the product. This will promote Asian aviation products and services worldwide. New services and products may be invented to fit ads to attract more employees.

**Diversification:** It’s a strategy that keeps Malaysia Airlines away from existing products. Malaysia Airlines is still in the midst of a steady development, because its products, as well as services, are still in a growing lifecycle. Low-price fares still require short or long-distance transport. In the current phase of the economic recession, Malaysia Airlines employees still desire to benefit from premium fares. Some of the other high-end clients might change their minds by choosing Asia Airlines as a travel option to keep in their budgets.

**Market development:** Incase above options are too expensive, the alternative plan is the market development. Use of market development or growth involves the provision of existing products and services to brand new markets. Asian Airways will need to view the product or service in terms of packaging and service.

# 6.4 Organizational / Operational Plan

# 6.4.1 Organizational Structure

The company has a pyramid-shaped structure, the BOD (Board of Directors) the highest authority, command chain runs through various departments and employees. The high structure of the Malaysian aviation organization means that many levels are there, indicating that the authority and status of the personnel are equal. The narrow organizational structure means that the managing director of PIDM has a lot of control so he is under pressure to manage all departments they control. However, because the board level is higher than the chairman of the board, more delegations through the whole organizational structure, to power and instructions, he is not the highest level of command chain power. Due to bureaucratic structure, Malaysia Airlines in most of their decisions are led by the various departments, mainly by the BOD and general manager.

* Senior management will make a decision on the entire business, not just single department.
* Quickly make decisions because decisions are simply based on fixed procedures and rules.
* The senior management who makes the decision will have enough experience to call.
* Policies will remain consistent all through the business as well as avoid conflicts between other departments.

# 6.4.2 Human Capital Plan

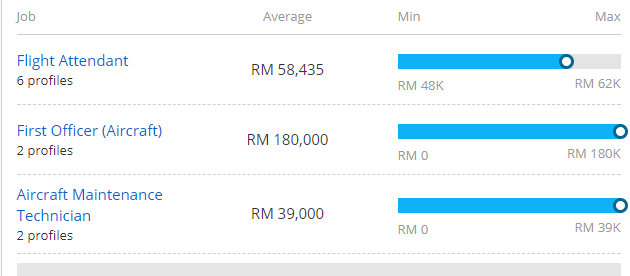
Malaysia Airlines has a constant emphasis on human capital development with a total of 8,542 employees participating in almost 484 development projects organized by a Malaysian Institute of Aeronautics in this financial year. In order to meet the learning desires of employees, active cooperation with international and local institutions of higher education through external and internal teaching resources are done. Working with Jeppesen, it is a successful collaboration to provide flight planning, operations, and maintenance systems for employees involved in operational scheduling. The ever-changing surroundings of globalization, intense competition, cross-cultural issues, and the broad information is making business leaders face steady pressure to develop plans as well as decisions to guarantee business viability. The staff strength of Malaysia Airlines as at 31 March 2016 stood at 20,789, comprising 271 managerial staff, 1,208 executive staff, 1,294 technical crew, 4,731 cabin crew, 2,225 technical staff and 11,060 support staff.

**Human resources activities**

**Staffing:** One major reason for the introduction of the Malaysia Airlines restructuring preparation is the high cost structure. Malaysia Airlines provides generous employee compensation and pension. During the post-financial disaster, Malaysia Airlines had to completely cut off staff to evade additional payments. After that, start again to increase the number of workers, because it is developing fresh models, to the new production technology. Malaysia Airlines need to develop new products to employees within Malaysia and other countries.

**Harvard Strategic HRM Model:** It represents a comprehensive part of a planned vision with central thinking. Malaysia Airlines needs to correlate sustainable social issues with its key stakeholders, not just at the enterprise level, but also at all levels of the plan, including the minimum function. The viewpoint of the integrated center of the automotive industry is now a comprehensive reflection of the needs of each party, no matter what way to participate in the production process, the environmental loss is less.

## Figure 9: Average Salary for Malaysia Airlines Employees



# 6.4.3 Business Process / Value Chain

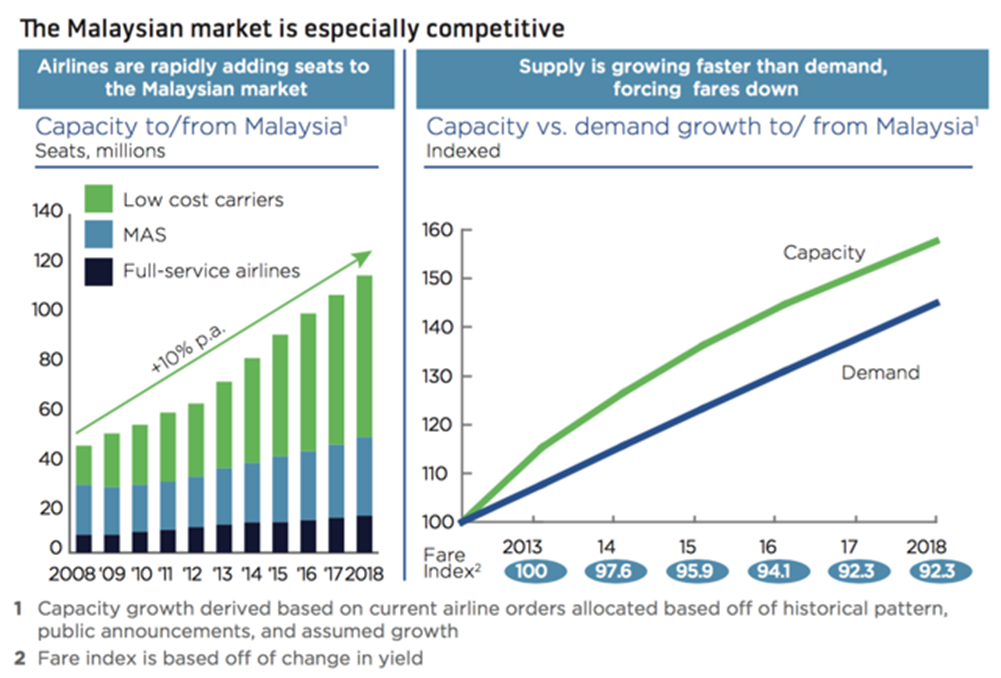
Value chain examination or analysis, as well as business process views, can be utilized as an examination tool for the evaluation of Malaysia Airlines. The main revenue of Malaysia Airlines is based on logistics services; secondary development is aircraft maintenance as well as technology development. By coordinating value chain examination activities, Malaysian Airlines can reduce the cost structure as well as improve the worth of the results of the product. By improving the worth of the results of the product, Malaysian Airlines can better compete in the airline industry by simply understanding the link between each value chain activities. In addition, appropriate coordination with its affiliates, employees as well as suppliers can diminish costs and strengthen the links between the employee and the company. As a result, Malaysia Airlines can achieve major and secondary performance improvements and achieve higher profits in the process. Business process of the aviation industry in the past few years is the world's tragic bombing. The terrorist attacks of 11 November 2001, the disappearance of MG370, as well as shot out of MH17 at Ukraine are still shocking for Malaysia Airlines passengers. Malaysia Airlines and some low-cost airlines, the strong competitive surroundings also make the flag airline restructuring business. The quality of their resources, for example, aircraft and crew, needs attention and in-depth research. As Malaysia's oldest airlines, they will use this improvement to continue in the forefront of the aviation industry, with the assistance of the government, to make effective use of existing adequate resources to develop effective strategies as a competitive and stable way in aviation Industry status. Obviously, the main challenge for Malaysia airlines is to cope with the decline in tourism demand, the development of regulations as well as taxes, and adapt to new environmental model. All airlines are looking for new opportunities to cut-down costs and increase revenue, and many airlines are improving their business models to be in a competitive as well as profitable in the difficult economic climate since 2001. Some airlines working in today's aggressive business environment think that the price should not be sold but value. Traditionally, prices are the main determinant of employee choice. However, now employees are more willing to compare prices, so the appropriate value is very significant. The Compound Annual Growth Rate of Malaysia Airlines business processes within global market has risen by 148% - from $69M in 2010 to $6.5B in 2016

# 6.5 Financial Plan

Malaysian airlines have had huge financial slumps in the past mishaps, which have encumbered the airline. It has been a surprising turnaround of events in the financial arena of the airline, quite unlike to the expectations of many. The airline has had quite a tremendous upheaval in performance in 2017 with the management and outsiders, stakeholders and analyst predicting a break-even for the airline come 2018. Much of the company’s strategy in the past has been a focus on cost cutting and innovation increases. The airline now has the chance to shift its focus to sales maximization and other financial strategies other than just cost cutting to take advantage of unprecedented profitability come early 2018. Peter Bellew, Malaysian airlines chief executive officer in an interview at Bloomberg reiterated that although the airline still expects to make a loss this year 2017, it should be less than the loss they expected. He reaffirmed that the airline will be back into consistent profitability in 2018 and the current plan is to relist some of the airlines in 2019. Malaysia airlines identified ninety million dollar of cost cuts in 2017.

The financial strategy involves increasing on hedging through borrowing beyond the sixty percent debt structure going to seventy percent as factored in the budget estimates for 2018 in Malaysian airlines. The aggressive hedging will be done twelve months ahead on a quarter-by-quarter basis though this plan will be perused cautiously. The airline is looking into expansionary opportunities and liaisons in its China markets with intentions to invest in six or seven aircrafts in 2018 to cope with current demand, asserts the chief executive officer.

## Figure 10: Demand and Capacity Malaysian Airlines Seats



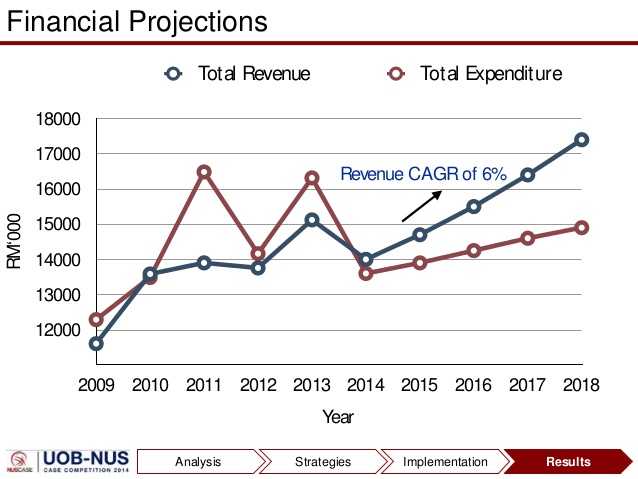
# 6.5.1 3-year Forecast Income Statement

The financial projections for profit and loss and balance sheet statements were done with and excel sheet calculator. Financial data was fed into the calculator from the financial statements of Malaysian airlines.

### Table 20: Profit and Loss Projection Statement

|  |  |  |  |
| --- | --- | --- | --- |
| PROFIT AND LOSS PROJECTION |  |  |  |
|  |  |  |  |
| Company Name |  |  |  |
|  |  |  |  |
| PROFIT AND LOSS ASSUMPTION |  |  |  |
|  | 2018 | 2019 | 2020 |
| Annual cumulative price (revenue) increase | 6.00% | 8.00% | 10.00% |
| Annual cumulative inflation (expense) increase | 6.00% | 8.00% | 10.00% |
|  |  |  |  |
|  |  |  |  |
| INCOME |  |  |  |
|  | Year 4 | Year 5 | Year 6 |
| Revenue |  |  |  |
|  |  |  |  |
| REVENUE | 4,860,746.18 | 5,249,605.87 | 5774566.457 |
| Available-for-sale investments | 3,271.92 | 3,533.68 | 3887.048 |
| Foreign currency translation | 1,156.42 | 1,248.93 | 1373.823 |
| Product 4 | - | - |  |
|  |  |  |  |
| Total revenue | 4,865,174.52 | 5,254,388.48 | 5779827.328 |
|  |  |  |  |
| Cost of Sales |  |  |  |
|  |  |  |  |
| Cost of inventories sold | 437,561.30 | 472,566.20 | 519822.82 |
| Product 2 | - | - |  |
| Product 3 | - | - |  |
| Product 4 | - | - |  |
|  |  |  |  |
| Cost of goods sold | 437,561.30 | 472,566.20 | 519822.82 |
|  |  |  |  |
| Gross Profit | 4,427,613.22 | 4,781,822.27 | 5260004.497 |
|  |  |  |  |
| Non-Operation Income |  |  |  |
|  |  |  |  |
| Rental | - | - |  |
| Interest income | - | - |  |
| Loss (gain) on sale of assets | - | - |  |
| Other income (specify) | - | - |  |
|  |  |  |  |
| Toatal Non-Operation Income | - | - |  |
|  |  |  |  |
| TOTAL INCOME | 4,427,613.22 | 4,781,822.27 | 5260004.497 |
|  |  |  |  |
| EXPENSES |  |  |  |
|  |  |  |  |
| Operating expenses |  |  |  |
|  |  |  |  |
| Employee benefits expense | 32,659.15 | 35,271.88 | 38799.068 |
| Depreciation and amortisation | 6,360.00 | 6,480.00 | 7128 |
| Other expenses | 1,671,701.41 | 1,805,437.52 | 1985981.272 |
| Payroll and Payroll Tax | 760,401.35 | 821,233.45 | 903356.795 |
| Unrealized loss on derivative financial instruments | 26,376.02 | 28,486.10 | 31334.71 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Other | - | - |  |
|  |  |  |  |
| Total operating expenses | 2,497,497.93 | 2,696,908.96 | 2966599.856 |
|  |  |  |  |
| Non-Recurring Expenses |  |  |  |
|  |  |  |  |
| Unexpected Expenses | - | - |  |
| Other expenses | - | - |  |
|  |  |  |  |
| Total Non-Recurring Expenses | - | - |  |
|  |  |  |  |
| TOTAL EXPENSES | 2,497,497.93 | 2,696,908.96 | 2966599.856 |
| PROFIT BEFORE TAX | $1,930,115 | $2,084,913 | $2,293,404.30 |
| TAXES |  |  |  |
|  |  |  |  |
| Income Tax | 579,034.59 | 625,473.99 | 688021.389 |
| Other Tax (specify) | - | - |  |
|  |  |  |  |
| TOTAL TAXES | 579,034.59 | 625,473.99 | 688021.389 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| NET PROFIT | 1,351,080.70 | 1,459,439.32 | 1605383.252 |
|  |  |  |  |
|  |  |  |  |

FIGURE 2 FINANCIAL REVENUE AND EXPENDITURE GRAPH FOR MALAYSIAN AIRLINES



# 6.5.2 3-year Forecast Balance Sheet

### Table 11: Financial Projections Balance Sheet Malaysian Airlines

|  |  |  |  |
| --- | --- | --- | --- |
| BALANCE SHEET PROJECTIONS |  |  |  |
|  |  |  |  |
| Company Name |  |  |  |
|  | 2018 | 2019 | 2020 |
| ASSET |  |  |  |
|  |  |  |  |
| Current Assets | $2,016 | $2,017 | $2,018 |
|  |  |  |  |
| Cash and short-term investments | 3,495,580.00 | 5,941,188.62 | 8,485,964.05 |
| Accounts receivable | - | - | - |
| Total inventory | - | - | - |
| Prepaid expenses | - | - | - |
| Deferred income tax | - | - | - |
| Other current assets | - | - | - |
|  |  |  |  |
| Total current assets | 3,495,580.00 | 5,941,188.62 | 8,485,964.05 |
|  |  |  |  |
| Property and Equipment | Year 2 | Year 3 | Year 4 |
|  |  |  |  |
| Buildings | 18,698,785.00 | 18,698,785.00 | 18,698,785.00 |
| Land | - | - | - |
| Capital improvements | - | - | - |
| Machinery and equipment | - | - | - |
| Less Accumulated depreciation expense | 852,540.00 | 4,741,887.28 | 8,706,029.70 |
|  |  |  |  |
| Total Property and Equipment | 17,846,245.00 | 13,956,897.72 | 9,992,755.30 |
|  |  |  |  |
| Other Assets | Year 2 | Year 3 | Year 4 |
|  |  |  |  |
| Goodwill | - | - | - |
| Deferred income tax | - | - | - |
| Long-term investments | - | - | - |
| Deposits | - | - | - |
| Other long-term assets | - | - | - |
|  |  |  |  |
| Total Other Assets | - | - | - |
|  |  |  |  |
| TOTAL ASSETS | 21,341,825.00 | 19,898,086.34 | 18,478,719.35 |
|  |  |  |  |
| LIABILITIES |  |  |  |
|  |  |  |  |
| Current Liabilities | Year 2 | Year 3 | Year 4 |
|  |  |  |  |
| Accounts payable | 1,765,764.00 | 1,765,764.00 | 1,765,764.00 |
| Accrued expenses | - | - | - |
| Notes payable/short-term debt | - | - | - |
| Capital leases | - | - | - |
| Other current liabilities | - | - | - |
|  |  |  |  |
| Total Current Liabilities | 1,765,764.00 | 1,765,764.00 | 1,765,764.00 |
|  |  |  |  |
| Debt | Year 2 | Year 3 | Year 4 |
|  |  |  |  |
| Long-term debt/loan |  |  |  |
| Other long-term debt |  |  |  |
|  |  |  |  |
| Total Debt | 1,765,764.00 | 1,765,764.00 | 1,765,764.00 |
|  |  |  |  |
| Other Liabilities | Year 2 | Year 3 | Year 4 |
|  |  |  |  |
| Other liabilities (specify) | 10,825,908.00 | 10,825,908.00 | 10,825,908.00 |
| Other liabilities (specify) | - | - | - |
|  |  |  |  |
| Total Other Liabilities | 10,825,908.00 | 10,825,908.00 | 10,825,908.00 |
|  |  |  |  |
| TOTAL LIABILITIES | 12,591,672.00 | 12,591,672.00 | 12,591,672.00 |
|  |  |  |  |
| EQUITY |  |  |  |
|  |  |  |  |
|  | Year 2 | Year 3 | Year 4 |
| Owner's equity (common) | 8,696,888.00 | 8,696,888.00 | 8,696,888.00 |
| Paid-in capital | - | - | - |
| Preferred equity | - | - | - |
| Retained earnings | 53,265.00 | -1,390,473.66 | -2,809,840.65 |
|  |  |  |  |
| TOTAL EQUITY | 8,750,153.00 | 7,306,414.34 | 5,887,047.35 |
|  |  |  |  |
| TOTAL LIABILITIES AND EQUITY | 21,341,825.00 | 19,898,086.34 | 18,478,719.35 |

### RATIO ANALYSIS OF FINANCIAL STATEMENTS

Table 22 RATIO ANALYSIS TABLE OF THE FINANCIAL STATEMENTS

|  |  |  |  |
| --- | --- | --- | --- |
| RATIO ANALYSIS |  |  |  |
|  | 2017 | 2018 | 2019 |
|  |  |  |  |
| **Profitability ratios:** |  |  |  |
| Net Profit Margin | 0.910062569 | 0.910062567 | 0.910062567 |
| Return on Assets | 0.119430877 | 0.065522968 | 0.076058405 |
| Return on Stockholder’s Equity | 0.145647332 | 0.184917066 | 0.247906842 |
|  |  |  |  |
| **Liquidity ratios:** |  |  |  |
| Current ratio | 1.979641674 | 3.364656104 | 4.805831385 |
| Quick ratio | 1.979641674 | 3.364656104 | 4.805831385 |
| Net Working Capital | 1,729,816.00 | 4,175,424.62 | 6,720,200.05 |
|  |  |  |  |
| **Efficiency ratios:** | - | - | - |
| Accounts Receivable Turnover | - | - | - |
| Inventory Turnover | - | - | - |
| Accounts Payable | - | - | - |

The ratio analysis for Malaysian airlines shows an expected steady and stable growth in the years to come from 2018 to 2020. Malaysian airlines is expected to operate efficiently as revealed by the liquidity ratios and especially the quick ratio or acid test ratio which usually predicts better solvency than its counterpart current ratio. The efficiency ratios could not be calculated because there were no accounts payable and accounts receivables amounts revealed by the financial statements.

# 6.5.3 Assumptions, Explanation and Justification

PROFIT AND LOSS ASSUMPTION

Annual cumulative price (revenue) increase. An assumption that the price increases constantly over the years.

Annual cumulative inflation (expense) increase. An assumption that inflation rate increases constantly over the years.

# 6.6 Implementation Schedule - Gantt chart

# 6.7 Critical Success Factors

Malaysia GLCs are more and more aware of the significance of KPIs in Malaysia Airlines performance management. Therefore, their staff needs to fully comprehend the actual meaning of KPI, how to develop, must be a key success factor for KPI measurement, and how to relate it to the organization's strategy. They likewise stressed the need for an appropriate reporting system and the implementation of key performance indicators, since the incapability to do therefore could lead to poor progress in the implementation of the transition project by the Malaysian Intellectual Property Organization. Malaysia GLCs have business in addition to social goals. Therefore, performance measurement, as well as the management system, is needed to provide a balanced way that takes full account of financial and social parameters. The business environment is changing rapidly. Thus, key performance indicators need to be improved and reviewed to maintain their relevance and effectiveness.

# 6.8 Risks Mitigation/Contingency Plan

The Malaysia Airline’s proposed risk management plan is based on a risk and performance integration management framework. This means the integration of the three core elements: a strategic plan, a risk, and a performance management system to implement strategies that are "early mobile" who identify and recognize unique opportunities or risks and use tacit knowledge to evaluate on any other person. Centralized governance to maintain a flexible corporate structure, optimize the balance between the company's value creation goals and performance objectives, and the policies, processes, and controls that it deems appropriate to protect the value of the business. Protection identifies and eliminates the inherent risks of the strategy, differentiates the ability to maintain shareholder value, and identifies risk appetite. There are four supporting elements in the management process. The goal is to translate strategic and risk preferences into key indicators and objectives for performance expectations so that organizations can achieve risk adjustment expectations. It uses key traditional indicators with its own goals, such as performance driver indicators as well as risk indicators. The Plan integrates the planning, budgeting, and resource allocation processes to manage and mitigate a certain degree of exposure. Moreover, there is a need for a strong technology platform to effectively and timely access to business performance and to compare it with the target.

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# Appendices

1. **Application for Ethics Approval**
2. **Questionnaire**

# A. Introduction

As a part of my major research project, I am conducting the survey on a business performance improvement of Malaysia Airlines. Relying on current or previous driving experience of Malaysia Airlines and awareness of the company and attitude towards this automotive brand, could you kindly complete the proposed questionnaire.

# B. Consent Form

**Participant name or Study ID Number:**

**Title of Project:** A Business Development Plan to improve the business performance of Malaysia Airlines

**Researcher Name:**

**Participant to complete this section: Please initial each box.**

1. I confirm that I have read and understand the information sheet for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily.

2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.

3. I agree to take part in the above study.

# I. Profile

1) Name (Optional):\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2) Gender

 Male  Female

3) Your country`s region

 Kuching Kelantan Terengganu Ipoh  Malacca

4) Age

 18-24  25-34  35-44  45-54  55-64  Above 65

5) To what monthly income class do you belong, in MYR?

 Below 499 MYR 500-999 MYR 1000-1999 MYR 2000-3999 MYR Above 4000 MYR

6) Have you previously fly withMalaysia Airlines?

 Yes  No

# II. Subject Matter Questions

**1. Operations**

1) Assess how efficient operations of Malaysia Airlines are.

 Excellent  Good  Average  Poor  Very poor

2) Does Malaysia Airlines get on well with its operations and services development speed?

 Excellent  Good  Average  Poor  Very Poor

3) Are Malaysia Airlines operationsequipped by modern technologies?

 Excellent  Good  Average  Poor  Very Poor

**2. Marketing**

1) Do you agree with the following statement?

“Uniform services model implementation for all markets will positively reflect the company`s future business performance”

 Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

Why? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2) Have you ever met some technical problems with Malaysia Airline services?

 Yes  No

3) What kind of problem(s) was/were it?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**3. Organization**

1) Do you agree with the following statement?

“Nowadays airline industry moves towards the production of smaller and more eco-friendly services”

 Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

2) Assess the service level of dealer`s office

 Very High  High  Medium  Low  Very Low

3) Assess the level of working cooperation between Malaysia Airlines and its partners

 Excellent  Good  Average  Poor  Very Poor

4) How does Malaysia Airlines follow environmental and safety standards?

 Excellent  Good  Average  Poor  Very Poor

**4. Financial**

14) Do you agree with the following statement?

“Political instability affairs in certain countries indirectly influence the Malaysia Airlines”

 Strongly Agree  Agree  Neutral  Disagree  Strongly Disagree

15) Should Malaysia Airlines invest more in Re-development activities?

 Yes  No

16) What alternative Airlines brands from the same as MAB price range do you prefer?

 Air Asia;

 Firefly;

 Malindo Air;

 Berjaya Air;

 Sabah Air;

17) MH370 disappearance and MH17 shot out influence financial status of the Company?

 Yes  No

# III. Opinions and Proposals Box

Please, leave some suggestions for us to understand the most important areas of improvement

|  |
| --- |
|  |