

A Case Study of Performance Issues in Malaysia Airlines Berhad

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for the Degree of Master of Business Administration

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DECLARATION

I hereby declare that the case study is based on my original work except for quotations and citations that have been duly acknowledged. I also declare it has not been previously or concurrently submitted for any other degree at Universiti Tun Abdul Razak (UNIRAZAK) or other institutions.



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EXECUTIVE SUMMARY

Malaysia Airlines which is used to be known as MAS is a symbol of proud for Malaysian since its establishment. MAS had reached its peak in 1990s and had won several awards in airline industry and was nominated as the best airline service in south east asia markets in its golden era. However, the sky is not always blue, MAS has undergone several performance crisis and downturn from 1997 until present. This case study will explore what had MAS achieved in its golden age, and what internal and external factors influenced and led to performance management issues in achieving its corporate objectives. The information were partially extracted from MAS website 2023, <https://www.malaysiaairlines.com> and also from YABhg. Tun Dr. Mahathir Bin Mohammad on the several sessions with YABhg. Tun, 2022 & 2023.

PART 1 : CASE DESCRIPTION

1.1 Prologue/The Opening Paragraph

MAS (Malaysia Airlines Berhad) is currently known by its slogan of “Journey Are To Be Made With The People You Travel With”. This slogan has attracted most of Malaysian to use MAS services.

MAS (Malaysia Airlines Berhad) had undergone a huge economic development from 1970s to 1990s, and as a national air carrier for the country and is a symbol of national proud, MAS has successfully connected Malaysian to the rest of the global hubs such as London, New York, Paris, Dubai, Sydney and etc. This has contributed to Malaysian economic development.

MAS had reached its peak (golden age) in 1990s and had won several awards from the industry as one of the best airline service providers in South East Asia market. However MAS also has faced several cycles of financial and business performance struggles. The weakness in performance started to be visible from 1997 inline with Asian Financial crisis, this was prolonged up until 2005 which was considered as one of the dark age of MAS (8 year of downturn period).

The Malaysian government had initiated turnaround plan in 2005 which was led by one of Malaysian Prominent figure, Idris Jala. This initiative had shown signs of recoverability from its weak financial and business performance

Sign of Recoverability from financial performance struggles become visible from 2006 to 2010. However, due to cost management issue the financial failure become visible again and the climax took place in 2014 when MAS lost MH370 and MH17.

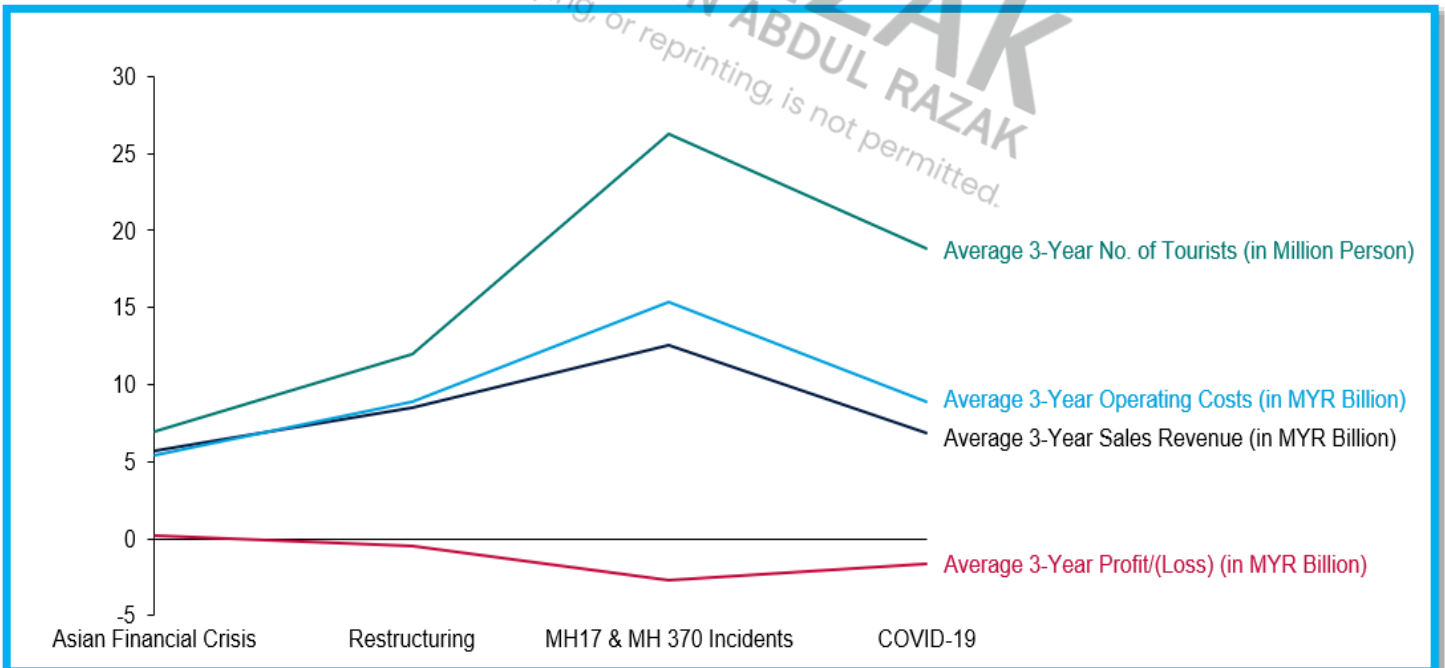
MAS has further impacted by COVID-19 in 2019 until present. This case study will sail through MAS performance issue in addressing these matters and what MAS could do better and can do better to be regain its golden age once more.

In regards to this case study, MAS 3-year past performances at significant factors or events are being analysed based on these 4 significant time period in visualizing its performance as per below diagram. These indicators and information are being extracted Commission of Companies of Malaysia in related to Malaysia Airlines and IMA Asia Pte Ltd, a consultancy firm.

MAS 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
MAS Z- Score Performance	Red Score (1.22)	Red Score (0.44)	Red Score (1.2)	Red Score (1.7)
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion

MAS 3-Year Past Performances Indicators

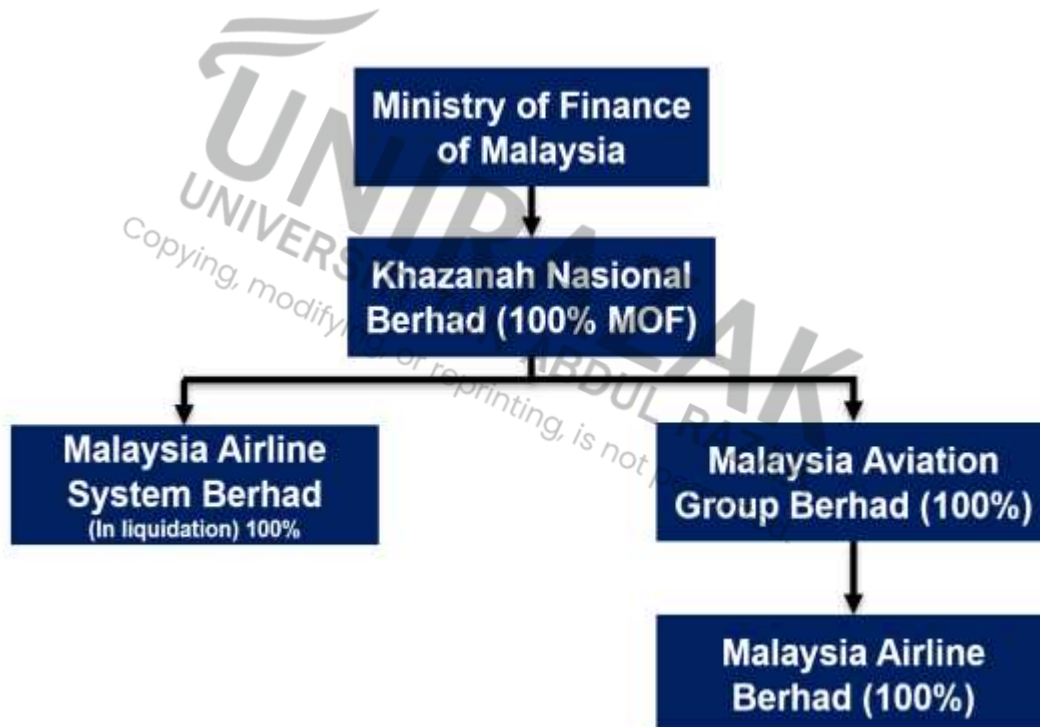
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
Average 3-Year Malaysia Gross Domestic Products	RM 501 Billion	RM 592 Billion	RM 1,118 Billion	RM 1,378 Billion
Average 3-Year Personal Consumption (GDP)	RM 216 Billion	RM 244 Billion	RM 598 Billion	RM 804 Billion
Average 3-Year Inflation Rate (CPI)	3.2	1.6	2.5	0.2
Average 3-Year MYR/USD	2.6	3.8	3.4	4.1
Average 3-Year No. of Tourists	7 Million Tourists	12 Million Tourists	26.3 Million Tourists	18.8 Million Tourists



1.2 General Company Background

MAS (Malaysia Airlines Berhad) founded on 1st May 1947 via its initial predecessor Malayan Airways. Few years after Singapore independence from Malaysia on 9th August 1965, MAS has commenced its operation and known as Malaysia Airline System Berhad (MAS). The information was retrieved for MAS Annual Reports 1996 until 2022.

Due to part of restructuring approach, Malaysia Airline System Berhad (MAS) is currently in liquidation process and all assets are being transferred to newly establish entity which is Malaysia Airlines Berhad. Below diagram is extracted from Khazanah Nasional Berhad 2020 annual report.



Currently MAS is covering 59 destinations worldwide such as Malaysia, South East Asia, North Asia, South Asia, Australia/New Zealand, Europe and Middle East. Furthermore, MAS has 81 fleet assets with daily capacity of 40,000 passengers per day. Thus MAS has high fixed cost obligation due to its leased fleet assets.

1.3 Industry Overview

Airlines industry overview is Malaysia particularly and International landscape broadly is very cost sensitive and lower capacity of fleet will push down the margins. Furthermore, fuel cost and other contracts such as meal, airport fees are also pushing the industry further and better cost control is required.



PESTEL Analysis will give deeper understanding of airline industry as below:-

a) Political

The government policy in promoting tourism activity will impact to high utilization of airlines to the respective countries. Pre-COVID-19 most of the countries are welcoming China tourist. This had created huge utilization of passengers from China to around the world.

Political stability also play vital role in airline industry as instable political situation will lead to less tourism activity due to uncertainty of amendments of the immigration requirements.

Furthermore, friendly foreign trade policy will lead to positive impact in tourism and business mobility of people. Prior to COVID-19, Malaysia was having a good numbers of China tourists due to good and strong China relationship with Malaysia. In case of MAS, Malaysia is considered one of the friendliness country in tourism activity and also in foreign trade policy. In term of political Pre-COVID-19, Malaysia was a good hub for airline industry.

b) Economic

Economic growth also play vital part in the airline industry as it would mean that the people will have good position income in domestic and international travelling. Furthermore, stable and strong exchange rate will give rise to high purchasing power of the people and thus high financial capability to travel.

However, for Malaysia, global inflation rate which resulted to the weak to moderate position of exchange rate to main foreign currency such as USD and EUR give moderate opportunities for Malaysian to travel internationally, but it is better compared to 20 years back.

In term of MAS, the weak to moderate exchange rate to USD and EUR would mean that MAS will have huge unrealized loss in its leasing liabilities to the Airplane producers, which will negative impact to MAS as a whole.

c) Social

Lifestyle attitudes in Malaysia and the rest of the world has changed and people are more embarked on travelling to other countries than last decades. And the competitive rivalry of the airline industry has made it possible.

Furthermore, population growth and age distribution have pushed the airlines industry to be more active than before.

Additionally, with the global business operation of multinational companies, the business travelling is considered as necessity and have changed the landscape of it. MAS as a premium airline service provider has been taking this role seriously in making people travelling from Malaysia to the international destination.

The increasing trend of travelling and Video Blogging (Vlogging) has increased as a result of spike of social media platforms such as Facebook, Instagram, and TikTok. Most of the people are travelling abroad and making short video and getting payment based on the views by the other social media users.

Despite of the significant increase of global tourist to Malaysia, MAS market share has shown minimal impact in relative to the increase in number of tourists to Malaysia. This would mean other Airlines are capturing the market share in Malaysia.

d) Technological

Technological advancement in information system and hardware have made the information are easily accessible now and in real time. This has made people can easily browse through flight tickets availability and price instantly. This is also part and parcel of MAS and other airline companies in grabbing market opportunities in the industry.

The booming of online booking platforms and online comparison for affordable travelling such as AirPaz (www.Airpaz.com), Skyscanner (www.skyscanner.com), Booking.com (www.booking.com), Agoda (www.Agoda.com) and etc have impacted and increased the trend of affordability overseas travelling. Furthermore,

the main enabler of social media such as Facebook, Instagram and TikTok have made the online booking platforms easily known to all of the people around the world in regards to affordability travelling.

MAS has also been positively impacted but this booming of online booking platforms, however MAS is not seen as a top rank airlines due to the pricing offered in relative to other airline companies.

e) Environmental & Legal

Pre-COVID 19 has made more companies to reduce business travelling and switch it to online meeting across the regions, however the norm before was in different landscape. Now, during the outbreak, it seems business travelling can be reduced to minimal level as people are used to meeting virtually across the regions and countries. This may serve as a threat to airline industry.

Environment, Social and Governance (ESG) are a new trend favoured by the investors and stakeholders nowadays because sustainability driven concept which focus on financial and other non financial measures at the same time such as green technology, reduction of CO₂ (Carbon Dioxide) emission and etc.

In regards to reduction of CO₂ emission, MAS owns 6 units of Airbus A380, which was purchased in 2012 and 2013, after the booming of China tourists globally and before the incidents of MH17 and MH370. Airbus A380 is one of biggest airline's fleet which can accommodate 494 passengers capacity. However, this A380 is not environmental user friendly due to its huge fuel consumption compared to other type of airline's fleets. These 6-units of Airbus A380 have been retired in November 2022.

Flight route options are also one of the reasons of MH17 incident which travelling across Russia – Ukraine crisis area and had been shot down by the terrorists. The

route had not been used by other major airlines due to high risks. This has led to legal issues after the MH17 incidents and also the level of confidence of passengers or tourists in regards to MAS routes options and ultimately MAS lost sales huge sales opportunities to other overseas flight due to confidence issues and risks perceptions.

1.4 Competition And Market Environment

MAS even-though a national airline service provider in Malaysia, but according to CAPA Aviation Report, it has only capturing 20% of Malaysia market share on average as of 2020.

Year	2012	2013	2014	2015	2016	2017	2018
MAS Market Share	27%	29%	27%	23%	20%	19%	17%
MAS Group M/Share	33%	35%	33%	28%	25%	22%	20%

From the CAPA Aviation Report 2020 also, majority of Malaysia airline industry was being dominated by AirAsia group as per below diagram.

Airline/Airlines	2012	2013	2014	2015	2016	2017	2018
AirAsia/AirAsia X	44%	42%	42%	44%	46%	47%	50%
Malaysia Airlines/Firefly/MASwings	33%	35%	33%	29%	25%	22%	21%
Malindo	0%	2%	4%	6%	8%	10%	9%

MAS performances will be analysed and benchmarked to several others airline companies in the region such as AirAsia, Singapore Airlines and Thai Airways.

Measures/ Airlines	MAS	AirAsia	Singapore Airlines	Thai Airways
Strengths	<ul style="list-style-type: none"> a) Strong brand position b) Strong alliances and partnership with other premium airlines c) Customers and quality focus d) Covering 50 international destinations and 35 domestic flights. 	<ul style="list-style-type: none"> a) World’s Best Low Cost Carrier with the theme of “Everybody can fly” b) Huge marketing activities and sponsorships in overseas such as Manchester Football club sponsorship. 	<ul style="list-style-type: none"> a) Singapore is Asia Pacific Economic Hub b) Excellent service and hospitality c) Covering 35 countries and 6 regions with 60 destinations. 	<ul style="list-style-type: none"> a) Thailand one of the most popular tourists destinations. b) Transit hub strategy for all airlines to have transit in Thailand and at the same time experiencing Thailand. c) Partnering with 13 other international airlines globally.
Weaknesses	<ul style="list-style-type: none"> a) Weak cost controlling and cost management. b) Limited domestic flights and ranked as 3rd preference 	<ul style="list-style-type: none"> a) Limited destinations only operating in 25 countries, heavily focus on Asian countries. 	<ul style="list-style-type: none"> a) Singapore as expensive country b) Market share reduction due to global competition 	<ul style="list-style-type: none"> a) Lack of brand positioning strategy of “Thai Smile” strategy.

Measures/ Airlines	MAS	AirAsia	Singapore Airlines	Thai Airways
	<p>domestically after AirAsia. and Batik Air (Malindo Air).</p> <p>c) Weak in corporate governance.</p>	<p>b) Less customers centric and prone to delay and rescheduling flight.</p>	<p>c) Labor union empowerment and disputes</p>	<p>b) Lack of international flight capacity and destinations. Focus majorly on domestic market of 70% operational capability.</p>
Opportunities	<p>a) Strong brand position</p> <p>b) Strong alliances and partnership with other premium airlines</p> <p>c) Customers and quality focus</p> <p>d) Covering 50 international destinations and 35 domestic flights.</p>	<p>a) Indian Market opportunities.</p> <p>b) More domestic market positions frequency</p>	<p>a) Increase international destinations</p> <p>b) China market opportunities</p> <p>c) Leveraging Singapore as APAC Economic Hub</p>	<p>a) Expansion opportunities in international market which currently at 30% capacity.</p> <p>b) China flight expansion opportunities.</p> <p>c) Strengthen “Thai Smile” strategy.</p>

Measures/ Airlines	MAS	AirAsia	Singapore Airlines	Thai Airways
Threats	<p>a) High overhead costs lead to deterioration of quality of services provided.</p> <p>b) International competitors are filling the vacuum space of competition left by MAS either domestically or internationally when MAS strategies to cut several important routes such as route to Frankfurt, Vienna, Zurich and etc.</p>	<p>c) Inflation rate rising lead to higher operating costs</p> <p>d) Global low cost airlines finding their footholds in South East Asia such as Scoot, Ryan Air and etc.</p> <p>e) India government rule on anti-competition which lead AirAsia to sell its business in India.</p>	<p>a) Highly competed by other airlines such as Cathay Pacific, Qantas, Thai Airways</p> <p>b) Low cost airlines highly competing in Asia</p> <p>c) Inflation rising and fuel costs rising impacting operating costs.</p>	<p>a) Heavy intervention by Thai Government in Thai Airways business strategy.</p> <p>b) Europe market demand and low capacity lead to loss in route operation.</p> <p>c) High risk of direct flight to United States of America (USA).</p> <p>d) Inflation rate and fuel cost impact to direct flight to USA and Europe</p>

MAS' competition and market environment can be further analysed by using SWOT Analysis as below:-

a) Strengths

MAS has a strong relationship and partnership with other premium airline service company such as Emirates, British Airways and others. This give a premium credential to MAS brand name because incase of under capacity of MAS and if it seems that not worth to fly, MAS will transfer its passengers to those premium airlines.

MAS has also had value based customer centric in flight menus that customized to Asian and Western menus, which have attracted the food lovers to utilize MAS compared to others.

Additionally, MAS has also had effective frequent flier program in place which can be considered as successful in attracting premium flyers or business travellers. Finally, MAS has a privilege to operate in KLIA as its main hub which connected the Asia to the rest of the world.

b) Weaknesses

MAS is known for its severe cost management issues in controlling its business and financial performance for few decades. This is due to lack of strategic controlling function within the business set up. The departmental collaboration is seen as very functional in nature and gaps of expectation exist within.

Furthermore, low volume of passengers capacity due to threat of competitive rivalry from Asia Asia Group and also as a result of MH370 & MH17 impacts which had drained the confidence of MAS among the passengers.

c) Opportunities

Among opportunities that MAS can grab into is changing in customer preferences towards long haul business or leisure travelling.

Furthermore, the approach to value chain mindset and total quality management and effective cost management will bring MAS to a better position.

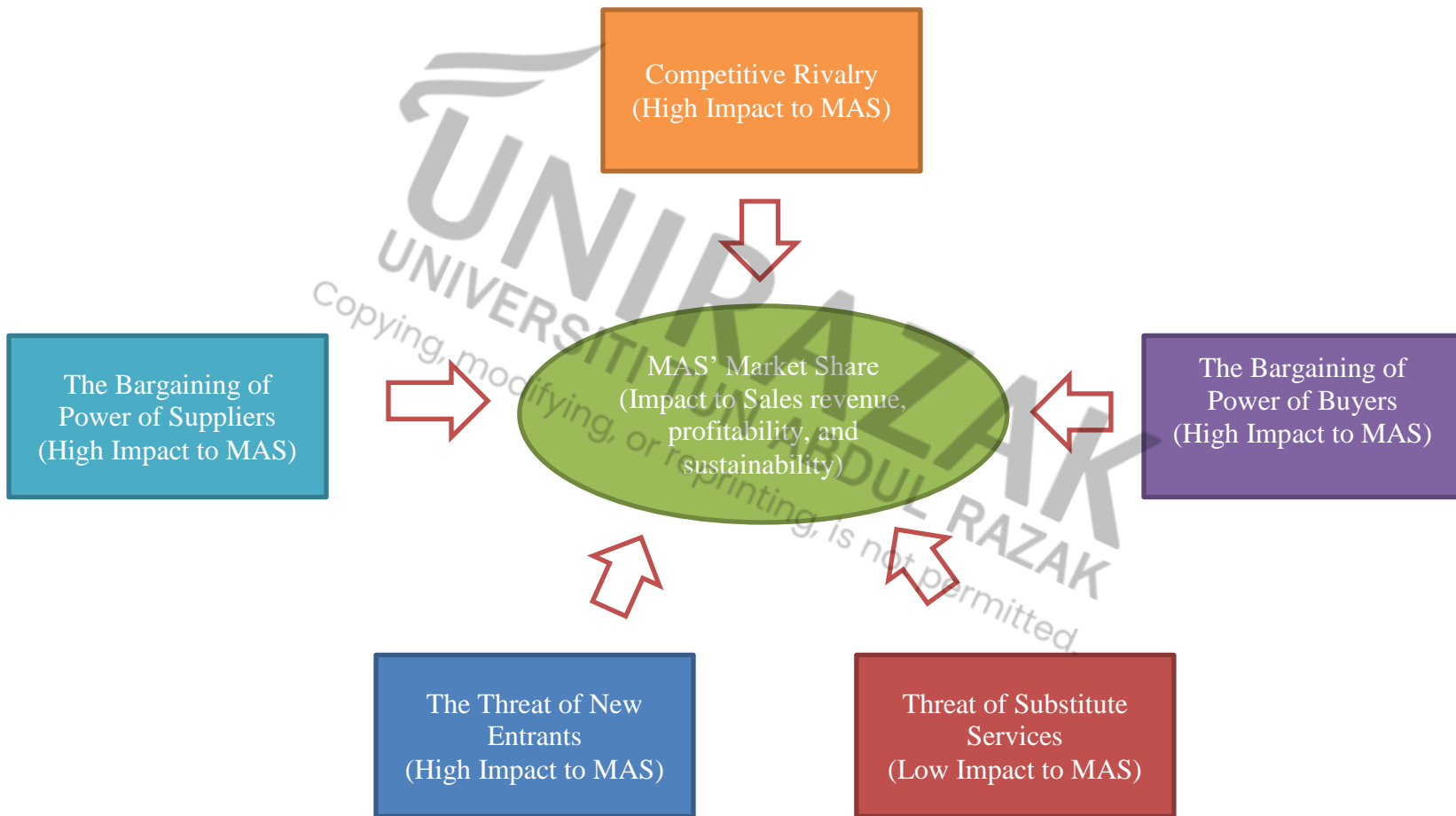
d) Threats

The widely known threat to Premium Airline Service provider such as MAS are tight competition with low end price competitors such as Air Asia, Batik Air and others.

Furthermore, the struggles among premium airline service provider such as Singapore Airlines, China Southern Airlines, Qatar Airways and Etihad Airways also pose serious threat in securing the market share and grabbing market opportunities among them.



MAS' competition and market environment in the airline industry also can be further analysed by utilizing Porters Five Forces model. This model was developed by Michael E. Porter in 1970 in analysing and understanding the competitive forces of a business in the industry. MAS' Porters Five Forces are discussed as per below analysis:-



No	Porter 5 Forces	Analysis of Forces Impact To Airline Industry & MAS	Likelihood Impact To MAS
1	Competitive rivalry	<p>a) Airline industry is highly competitive and this is further intensified post 2000 as a result of globalization of business reach.</p> <p>b) Many airlines business have been set up locally to compete with MAS local business such as Malindo Air also known as Batik Air, MyAirlines, AirAsia. Furthermore, international airlines such as Singapore Airlines, Thai Airways, Qatar Airways, Turkish Airlines, KLM and others are able to compete in Malaysia and South East Asia regional spectrum.</p> <p>c) This will lead to market shares struggle of all the airlines industry and will lead to MAS direct impact of sales revenue, cost of sales and deteriorated profitability.</p>	<p>a) High impact to MAS market share.</p> <p>b) External Forces that will lead to high impact to MAS.</p>
2	Threat of new entrants	<p>a) The airline industry is a heavy investment and a regulated industry worldwide by International Air Transport Association (IATA) and domestically by Civil Aviation Authority of Malaysia (CAAM).</p> <p>b) There was a case of new entry to Malaysia local market by newly local set up airlines company, Rayani Air in late 2014 but the license to operate in airlines industry was revoked as Rayani Air could not meet the required</p>	<p>a) Domestic New Entrants – Medium impact to MAS market share.</p> <p>b) Existing International New Entrants to MAS market share – High impact</p>

	Threat of new entrants (Continue)	<p>standards by Civil Aviation Authority of Malaysia (CAAM). Thus, in this regards the threat of new entrants are at medium level to MAS.</p> <p>c) However, the existing international competitors such as Malindo Air (Known also as Batik Air) is currently competition with MAS in the local market and other international competitors such as KLM, Turkish Airlines, Singapore Airlines and others are squeezing Malaysia airlines market shares and expected sales revenue from MAS.</p> <p>d) This threat of new entrants from existing international competitors entering Malaysia to International route market is considered as significantly high. This is coupling with several decisions made by MAS to cease several international flight such as Frankfurt, Vienna, Zurich, Nagoya and etc, which has lowered down MAS international competitiveness and wider up the opportunities for other airlines to gain the Malaysia-International route market share opportunities.</p>	
3	The bargaining power of suppliers	a) This force looks on how much impacts that the suppliers will influence the business strategies of MAS when the suppliers raise its prices which may impact MAS soaring of overhead costs and downturn in profitability and vice versa.	a) The main suppliers of MAS have high bargaining power which will lead to high

	<p>The bargaining power of suppliers (Continue)</p>	<p>b) MAS critical suppliers are mainly the fuel suppliers which are directly impacted by world crude oil price, Food and beverages suppliers, ground handling service providers such as ground technical staffs for cleaning and servicing the airplanes and etc.</p> <p>c) MAS has entered into long term contractual agreement with its main suppliers which has locked the long term rate of service and the long term rate of fuel per litre. This has resulted due to some external factor influenced which will be explored in the detailed analysis with Tun Dr. Mahathir in the next section.</p> <p>d) Since the long term contractual agreement were not or are not aligned to the volume of sales revenue of MAS thus this lead MAS to have less influence or less short term flexibility in managing its costs and performances.</p>	<p>impact to MAS performances.</p>
4	<p>The bargaining power of buyers The bargaining power of buyers (Continue)</p>	<p>a) This force looks and examines on the power of the consumers of MAS and how elastic the demand of consumers (or how sensitive the consumers reaction) towards the MAS pricing and quality strategies.</p> <p>b) Since the MAS consumers are individual consumers rather than a few large consumers, thus this has led to high power of consumers to change or opt for another competitors.</p>	<p>a) The individual consumers of MAS and airline industry lead to high bargaining power of customers to MAS and the market.</p>

		<p>c) Furthermore, the individual consumers are very price sensitive and upwards change of pricing will lead to shift of demand to another competitors, this is a sign of high level of elasticity.</p>	<p>b) Any shift of pricing and quality strategies will lead to shift of demand either positive shift or negative shift.</p>
5	Threat of substitute services	<p>a) This force looks at the degree of opting to another substitute of services in relative to flying with airplanes.</p> <p>b) For overseas travelling, it will be no substitute services in relative to flying with airplanes.</p> <p>c) For Malaysia domestic market, the substitute services will be bus services, train services and car rental services in peninsular of Malaysia. However, the substitute option is none from Peninsular of Malaysia to Sabah or Sarawak or vice versa.</p>	<p>a) The threat of substitute services is low for airlines industry, thus low impact to MAS.</p> <p>b) However, this is interlinked to the bargaining to the bargaining power of customers.</p>

1.5 Specific Area Of Interest

1.5.1 Risks of Corporate Failure

The specific area of interest in this case study is performance issues faced by MAS and its risks of corporate failure. At risk of corporate failure for MAS would mean that MAS inability to achieve satisfactory return over the long term performance in maximizing its shareholders wealth. MAS had undergone red flags issues at risk of corporate failure and the short term resolution was bailed out by the Malaysia government.

Among the defects or fundamental issues that lead to at risk of corporate failure by MAS are as below:-

a) Poor leadership and management

This can be seen when one of the previous Chief Executive Officer (CEO) resigned due to unsatisfaction issues with the Malaysia Government as the decision made by the Government without consultation with the CEO, this has undermined the CEO efforts to turn around the company.

Furthermore, in the earlier years of MAS establishment, the management team did not set up or build strong governance control in mitigating external risks which are uncontrollable and controllable to MAS.

b) Failure to control cost

This is one of the MAS most well-know defects which is weak cost management strategy and implementation.

c) Tougher market conditions

This is also one of the MAS issues as the competitive rivalry in the airline industry has increased tremendously over the decades due to new rivalry from low cost airlines.

d) Failure to adapt

MAS has also shown the failure to adapt with the changes in the environment and airline industry.

e) Strategic drift

MAS took a slow flexibility momentum when radical changes demanded by the environment such as safe route strategy, which has also contributed to MH17 incident as the route used was the risky route where most of the airlines had already changed the route for safety matters.

These defects or fundamental issues of the risks of corporate failure by MAS will be analysed further in the detailed analysis in the next section.

1.5.2 Z-Score Analysis

Z-Score analytical tool will be used in the section, the Z-score was developed in 1908 as a statistical test that used to measure the differences of between two mean produced by the tool.

Thus this measurement will be used to measure MAS financial performance for the last 20 years. Based on this result, we shall be aware of the likelihood of MAS corporate failure for the selected years of performance analysed.

The Z-Score analysis will give 3 indicators such as below:-

a) Less than 1.81

MAS is at risks of corporate failure due to its financial distress which can be seen as severe.

b) Between 1.81 to 2.00

MAS performance need to be analysed further as it is unclear about it risks of corporate failure.

c) More than 3.0

MAS is expected to be sustainable in future business performance and unlikely to face corporate failure based on the current result.

Summary of MAS Z-Score result is as per below table and we can summarise that MAS is at risks of corporate failures from 1995 and throughout the four main cycles of turbulences such as 1995 to 1997 Asian Financial Crisis, 2000 to 2022 Restructuring and sign of recoverability, 20013 to 2015 MH17 and MH370 incidents, 2018 to 2020 COVID-19 impacts.

MAS 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
MAS Z- Score Performance	Red Score (1.22)	Red Score (0.44)	Red Score (1.2)	Red Score (1.7)
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion

The details Z-Score analysis of MAS for 4 turbulence periods are as below :-

15.2.A Financial Evaluation of Malaysian Airline System Berhad 1996 – 1997 (Asian Financial Crisis)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 1997 and 31 December 1996 which considered as the peak period of Asian Financial Crisis. These audited reports purportedly signed by Arthur Andersen. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation and the provision of related services.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 1997	31 December 1996
Working capital	(RM617,657)	(RM728,904)
Current ratio	0.77	0.70
Quick ratio	0.11	0.10
Debt/Equity ratio	1.60	1.88
Debt ratio	0.69	0.72
Turnover	RM6,484,950	RM5,713,312
Profit/(Loss) before tax	RM349,409	RM251,161
Retained profit/(Loss)	RM590,208	RM534,190
Shareholders' Fund	RM4,491,904	RM3,688,601

Revenue Breakdown

Revenue (in '000 MYR)	31 December 1997	31 December 1996	31 December 1995
Passenger and baggage	RM4,759,286	RM4,236,879	RM3,635,641
Cargo and mail	RM855,656	RM766,717	RM595,148
Non scheduled services	RM48,803	RM99,790	RM118,925
Other revenue	RM821,205	RM609,926	RM509,563
Total Revenue	RM6,484,950	RM5,713,312	RM4,859,277

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at RM4.5Bil as of 31 December 1997.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when it due by the liquid assets i.e. cash and bank balances.

The Company has a high debt ratio which indicates that it has a low shareholder funds to finance its operation.

Financial Z-Score Rating

Financial Weighted Score: 1.22 (Red)

The Company is only capable to undertake the full project value of RM1.3Bil per year in order to optimise its financial standing. Beyond the value, the Company needs financial support from the Government.

Financial Exposure:

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category
1.81	RED	High Risk	0.0 - 1.80	High Risk The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe The Company has a good financial standing

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15.2.B Financial Evaluation of Malaysian Airline System Berhad 2000 – 2002 (Restructuring And Signs of Recoverability)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 2002 and 31 December 2001 which considered as the period of restructuring and signs of recoverability. These audited reports purportedly signed by Arthur Andersen. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation and the provision of related services.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 2002	31 December 2001
Working capital	(RM3,103,349)	(RM1,711,945)
Current ratio	0.44	0.57
Quick ratio	0.08	0.08
Debt/Equity ratio	7.30	7.24
Debt ratio	0.92	0.91
Turnover	RM8,377,901	RM8,956,145
Profit/(Loss) before tax	(RM846,493)	(RM386,635)
Retained profit/(Loss)	(RM2,780,159)	(RM1,944,596)
Shareholders' Fund	RM1,229,069	RM1,264,495

Revenue Breakdown

Revenue (in '000 MYR)	31 December 2002	31 December 2001	31 December 2000
Passenger and baggage	RM6,364,742	RM6,668,838	RM5,988,716
Cargo and mail	RM1,258,774	RM1,379,769	RM1,245,528
Non scheduled services	RM66,596	RM100,313	RM106,991
Other revenue	RM687,789	RM807,225	RM819,502
Total Revenue	RM8,377,901	RM8,956,145	RM8,160,737

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at RM1.2Bil as of 31 December 2002.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when it due by the liquid assets i.e. cash and bank balances.

The Company has a high debt ratio which indicates that it has a low shareholder funds to finance its operation.

The Company's turnover decreased by 6% in 2002 compared to 2001. The Company's ROCE and profit margin decreased by 26% and 6% respectively during the same period. This shows that the shareholders return are at diminishing rate against on its capital employed during the year.

Financial Z-Score Rating

Financial Weighted Score: 0.44 (Red)

Financial Exposure:

The Company is only capable to undertake the full project value of RM369mil per year in order to optimise its financial standing. Beyond the value, the Company needs financial support from the Government.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	Risk Category
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

15.2.C Financial Evaluation of Malaysian Airline System Berhad 2013 – 2015

(MH 17& MH370 Incidents)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 2015 and 31 December 2014 which considered as the period of MH17 & MH370 Incidents. These audited reports purportedly signed by Ernst & Young. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation and the provision of related services.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 2015	31 December 2014
Working capital	(RM13,524,630)	(RM15,396,759)
Current ratio	0.11	0.26
Quick ratio	0.01	0.06
Debt/Equity ratio	(1.66)	(3.91)
Debt ratio	1.91	1.17
Turnover	RM9,533,721	RM13,753,726
Profit/(Loss) before tax	(RM4,471,160)	(RM5,028,845)
Retained profit/(Loss)	(RM11,263,711)	(RM6,659,356)
Shareholders' Fund	(RM8,737,353)	(RM3,348,503)

Revenue Breakdown

Revenue (in '000 MYR)	31 December 2015	31 December 2014	31 December 2013
Passenger and baggage	RM7,012,895	RM11,000,356	RM11,675,926
Cargo and mail	RM1,022,514	RM1,642,539	RM1,661,861
Non scheduled services	RM1,498,312	RM1,110,831	RM1,215,109
Other revenue	RM9,533,721	RM13,753,726	RM14,552,896
Total Revenue	RM7,012,895	RM11,000,356	RM11,675,926

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at loss of RM8.7Bil as of 31 December 2015.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when it due by the liquid assets i.e. cash and bank balances.

The Company has a high debt ratio which indicates that it has a loss shareholder funds to sustain its finance and operation.

The Company's turnover decreased by 31% in 2015 compared to 2014. The Company's ROCE and profit margin decreased by 108% and 10% respectively during the same period. This shows that the shareholders return are at diminishing rate against on its capital employed during the year.

Financial Z-Score Rating

Financial Weighted Score: 1.20 (Red)

Financial Exposure:

The Company is not capable to undertake any projects due to its severe loss financial standing. The Company needs financial support from the Government to continue its operation.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

15.2.D Financial Evaluation of Malaysia Airline Berhad 2018 – 2020

(COVID-19 Impacts)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 2020 and 31 December 2019 which considered as period of COVID-19 Impacts. These audited reports are purportedly signed by PriceWaterhouseCoopers (PwC). We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation and the provision of related services.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 2020	31 December 2019
Working capital	(RM2,131,676)	(RM1,116,726)
Current ratio	0.51	0.80
Quick ratio	0.18	0.13
Debt/Equity ratio	(3.33)	(18.21)
Debt ratio	1.23	1.04
Turnover	RM3,167,418	RM9,007,812
Profit/(Loss) before tax	(RM2,945,053)	(RM910,788)
Retained profit/(Loss)	(RM6,801,090)	(RM4,547,328)
Shareholders' Fund	(RM2,832,389)	(RM588,221)

Revenue Breakdown

Revenue (in '000 MYR)	31 December 2020	31 December 2019	31 December 2018
Passenger and baggage	RM1,988,602	RM8,043,630	RM7,499,065
Cargo and mail	RM266,864	RM604,609	RM627,282
Other revenue	RM911,952	RM359,573	RM665,274
Total Revenue	RM3,167,418	RM9,007,812	RM8,791,621

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Loss stands at RM2.8Bil as of 31 December 2020.

The Company has a low current ratio and low quick ratio which indicates that it has low ability to meet its immediate obligations when it due by the liquid assets i.e. cash and bank balances.

The Company has a high debt ratio which indicates that it has a loss shareholder funds to sustain its finance and operation.

The Company's turnover decreased by 65% in 2020 compared to 2019. The Company's ROCE and profit margin decreased by 130% and 83% respectively during the same period.

This shows that the shareholders return are at diminishing rate against on its capital employed during the year.

Financial Z-Score Rating

Financial Weighted Score: 1.70 (Red)

Financial Exposure:

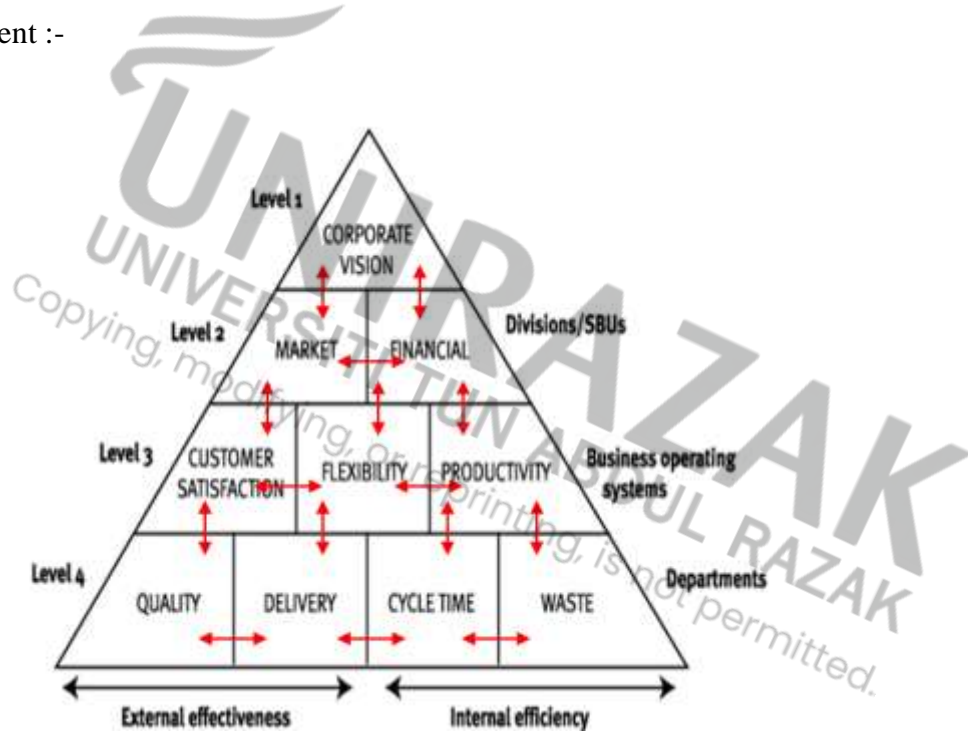
The Company is not capable to undertake any projects due to its severe loss financial standing. The Company needs financial support from the Government to continue its operation.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

1.5.3 Performance Pyramid Analysis

The performance pyramid was developed in 1990 by Lynch and Cross in measuring and improving organizational performance towards its desired objectives.

The performance pyramid analytical framework is looking at 4 different level in organizational hierarchy as below in MAS performance management :-



a) Corporate Objectives (Usually embedded in the Vision or Mission Statement)

This is usually at the hierarchy of the owners, shareholders which are being controlled and managed by the appointed board of directors of the organization.

In MAS, the owner would be Khazanah Nasional Berhad as a custodian appointed by the Malaysian government.

The objectives MAS are as below which changing over time. These objectives are being extracted from the history of Bursa Malaysia announcement for the period of turbulence.

Years	Objectives of MAS	Focus Areas
1995 to 1997	An Airline of Excellence	<ul style="list-style-type: none"> • Quality focus
2000 to 2002	Transformation into new economy through partnership in Triniti Networks Sdn. Bhd. by leveraging MAS Company's large customer database and transaction volume in a creative was using technology as enabler.	<ul style="list-style-type: none"> • Gaining market share in the new market. • Increase volume focus
2013 to 2015	Vision : To be the Preferred Premier Carrier Mission : i. Put our People first and be the Employer of Choice	<ul style="list-style-type: none"> • Quality • Employees focus

Years	Objectives of MAS	Focus Areas
	<ul style="list-style-type: none"> ii. Anticipate, consistently deliver and exceed customer expectations iii. Build on our recognised personalised and sincere 'Malaysian Hospitality' service iv. Innovate to make travel and doing business with us hassle-free v. Sustainable value creation for our shareholders 	<ul style="list-style-type: none"> • Customer Satisfaction • Internal business process • Shareholders focus
2018 to 2020	<ul style="list-style-type: none"> i. Proudly Malaysian Fly Malaysia. ii. Embark on unforgettable journeys with Malaysia Airlines, the national carrier of Malaysia and the best way to fly to, from and around our beautiful country. Each day, we carry up to 40,000 guests on journeys imbued with the richness and diversity of our multi-cultural society. iii. Experience our signature Malaysian Hospitality on every flight and feel right at home with our nation's traditions, cultures, and delectable cuisines. 	<ul style="list-style-type: none"> • Focusing on Malaysian customers • Promoting Malaysian hospitality service and Malaysia as an attractive destination to overseas visitors.

The changes of objectives of MAS over the four critical period reflects the struggles of MAS in sustaining its business in the airline industry. These objectives will lead to another level of performance pyramid hierarchy which is market and financial.

b) Market and Financial (Divisional Hierarchy)

This divisional hierarchy which focuses on Market and Financial dimension of MAS. The table below summarises the market and financial performance of MAS throughout the four critical periods.

MAS 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	20013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion
Average 3-Year Malaysia Gross Domestic Products	RM 501 Billion	RM 592 Billion	RM 1,118 Billion	RM 1,378 Billion
Average 3-Year Personal Consumption (GDP)	RM 216 Billion	RM 244 Billion	RM 598 Billion	RM 804 Billion
Average 3-Year Inflation Rate (CPI)	3.2	1.6	2.5	0.2
Average 3-Year MYR/USD	2.6	3.8	3.4	4.1
Average 3-Year No. of Tourists	7 Million Tourists	12 Million Tourists	26.3 Million Tourists	18.8 Million Tourists

Based on the table above, it can be summarized that with the change of objectives and focus areas in MAS corporate objectives throughout the four critical periods, this led to shrinking of market share, sales revenue and profitability of MAS.

Performance	1995 – 1997	2000 - 2002	20013 - 2015	2018 - 2020
Indicators (Average 3-Year)	Asian Financial Crisis	Restructuring and Sign of Recoverability	MH 17 & MH 370 Incidents	COVID-19 Impacts
Objectives Focus	Quality Focus	Market share and Volume focus	Quality, Employees and shareholders, Customer Satisfaction and internal business process focus	Proudly Malaysian Fly Malaysia.
Sales Revenue per No. of Tourists	RM 814	RM708	RM479	RM367
Sales Revenue per Personal Consumption (GDP)	RM 0.03	RM 0.03	RM0.02	RM 0.01

Sales revenue per number of tourists visiting Malaysia in the average 3-year of turbulence periods of MAS portrays the shrinking of international tourists utilizing MAS in their holidays and travelling trips to Malaysia.

The decreasing trends from RM 814 of MAS sales revenue per number of tourists in 1995 to 1997 to RM708 of MAS sales revenue per number of tourists in the year of 2000 to 2002 and followed by RM 479 MAS sales revenue per number tourists and further dropped to RM367 of MAS sales revenue per number of tourists in 2018 to 2020. This shows that international tourists were no longer consider MAS as their options and MAS market shares are dropping down in relative to increasing trend of number of tourists entering Malaysia for their holidays and travelling trips.

Furthermore, the indicator of sales revenue per personal consumption (GDP) shows how active domestic consumers utilize MAS services locally. The domestic market is also showing the decreasing trend from RM0.03 sales revenue per personal consumption in 1995 to 1997 to RM0.01 sales revenue per personal consumption in 2018 to 2020.

In this divisional and financial hierarchy, MAS performance is loosing the market share from international tourists and domestic consumers are also not considering MAS as their top choice.

c) Business Operating System Hierarchy

In business operating hierarchy in Z-Score analysis focuses on the three main areas of performance which are customers satisfaction, flexibility and productivity.

The shift of objectives focus in the 4 turbulence periods of MAS has given several indicators as below:-

Performance	1995 – 1997	2000 - 2002	20013 - 2015	2018 - 2020
Indicators (Average 3-Year)	Asian Financial Crisis	Restructuring and Sign of Recoverability	MH 17 & MH 370 Incidents	COVID-19 Impacts
Objectives Focus	Quality Focus	Market share and Volume focus	Quality, Employees and shareholders, Customer Satisfaction and internal business process focus	Proudly Malaysian Fly Malaysia.
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion
Average 3-Year Inflation Rate (CPI)	3.2	1.6	2.5	0.2
Average 3-Year MYR/USD	2.6	3.8	3.4	4.1

In the period of 1995 to 1997 when MAS was focusing on quality of service, this led to the profit position of RM250 Million average for these three years. However, when the objectives focus changed in the period of 2000 to 2002, MAS recorded a loss position as the sales revenue is lesser than the overhead costs. This would mean that the degree of customers satisfactions are dropped in parallel to shift of objectives focus towards volume and market share rather than quality focus.

In term flexibility of MAS, it can be concluded that MAS is having alignment issues from corporate objectives to Business Operating System as the operational costs soared more than sales revenue from the year of 2000. This indicates that MAS is actually a less flexible organization in meeting its corporate objectives.

In term of productivity of MAS, there is no staffs costs and number of staffs that MAS disclosed, thus no analytical review could be done in details for overhead costs. However, the soaring of operational costs more than sales revenue generated by MAS depicted the pictures that MAS faced the under-recovered of its overhead costs and this led to a productivity issues that MAS face from 1995 and throughout the turbulence periods.

1.6 Alternatives

The alternatives will measure what sort of outcomes if MAS has taken different approaches in managing and controlling its issues within the organization.

In the below table, it can be seen that MAS has had tried to explore other alternatives by changing its corporate objectives and focus from quality focus (1995 to 1997) to market share and volume focus (2000 to 2002) to several core objectives of quality, employees and shareholders focus, customer satisfaction and internal business focus (2013 to 2015). And lastly to Proudly Malaysian fly Malaysia. However, the profit position turned to loss position in parallel to the shift of corporate objectives.

Performance	1995 – 1997	2000 - 2002	20013 - 2015	2018 - 2020
Indicators (Average 3-Year)	Asian Financial Crisis	Restructuring and Sign of Recoverability	MH 17 & MH 370 Incidents	COVID-19 Impacts
Objectives Focus	Quality Focus	Market share and Volume focus	Quality, Employees and shareholders, Customer Satisfaction and internal business process focus	Proudly Malaysian Fly Malaysia.
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion

Hypothetically, MAS was looking at different areas of performance alternatives and did not look at the internal efficiency as a core issue in its sustainability. This is proven as the losses accumulated higher throughout the years post 1997 as per above table.

The plausible of alternative scenarios and possible outcomes should be measured and focused towards its overhead costs, internal efficiency (lean structure) and good governance of MAS.

Overhead costs of MAS are soaring due to high staffs costs and other supplier costs which can be seen when MAS initiated a major lay-off in 2001. MAS claimed that it had 21,500 employees and ¼ are for cabin crew and technical staffs and the rest are other supporting employees. This is extracted from Tun Dr Mahathir's Perdana Leadership Foundation Library, [Maseu seeks lay-off details from Ling \(Business Times 25/09/2001\) \(perdana.org.my\)](#).

Maseu seeks lay-off details from Ling
By 25 SEP 2001

On Saturday, Dr Ling had said MAS is currently working on the retrenchment schedule following the carrier's restructuring exercise

By **HAMISAH HAMID**

MALAYSIA Airlines Employees Union (Maseu) is seeking a meeting with Transport Minister Datuk Seri Dr Ling Liong Sik to discuss the possible retrenchment in Malaysian Airline System Bhd (MAS).

Maseu president Alias Aziz said the union wants to get a clearer picture from Ling on the possible retrenchment of the national airline's employees.

"Since it is the minister himself who brought up the possibility of the retrenchment in MAS, he should then brief us on it.

"We will send a letter to him to set an appointment date for the meeting," he told Business Times when contacted yesterday. The letter is expected to be submitted today.

MAS employs about 21,500 workers, of which a quarter are cabin crew and technical staff, while the rest ranges from supporting staff to front liners.

On Saturday, Dr Ling had said MAS is currently working on the retrenchment schedule following the carrier's restructuring exercise.

The terrorist attacks in the US on September 11, he said, may heighten the possibility of retrenchment.

The aviation and airflight industries worldwide are the most affected following the attacks.

The Government, through the Minister of Finance Inc. is now the majority shareholder in MAS with a 29.09 per cent stake.

It is working on a turnaround plan to improve MAS' financial position after the national carrier posted a loss of RM1.3 billion in 2000.

However, Alias said based on feedback from MAS' management, there are no retrenchment plans.

"This morning, I met Tuan Haji Mohd Yusof, who is MAS general manager of human resource. He (Mohd Yusof) said MAS has not heard about any retrenchment of the staff," Alias said.

Alias said the union stands by the repeated assurances by Prime Minister Datuk Seri Dr Mahathir that there will not be any retrenchment after the Government takes over MAS.

In fact, he said the national carrier is facing manpower shortage, particularly in cabin crew, licensed aircraft engineers and mechanics.

"MAS is experiencing a shortage of cabin crew of between 500 and 1,000 people.

"The national carrier's operations will be affected if there is retrenchment of the airline resorts to a voluntary separation scheme (VSS)," he said.

Analysts, meanwhile, are supportive of the move to reduce MAS' workforce. They see it as a positive step because labour forms almost 17 per cent of the carrier's total cost.

For the year ended March 31, 2001, staff costs rose 11.2 per cent to RM1.7 billion from RM1.5 billion previously. This represents about 16 per cent of total group's expenditure for the financial year.

Some analysts said lay-offs or VSS should be carried out before the airline's financial situation worsens.

One analyst pointed out that job cuts are possible when there is a large number of staff who will be approaching their mandatory retirement age as they were hired when MAS was formed in 1972.

The task is easier for cabin crew as they are employed on contractual basis, he said.

Meanwhile, sources said the carrier has frozen the intake of new staff, including cabin crew.

A week prior to the attacks in the US, MAS held nationwide walk-in interviews for cabin crew. It is not immediately known whether the recruitment drive has been stopped.

Transport Workers Union general-secretary Senator Zainal Rampak, when contacted by Business Times, appealed to the management of MAS to consider their social obligations and try to avoid any retrenchment.

Zainal, who is also Malaysian Trades Union Congress president, urged the Government to think twice before rushing to retrench workers.

"MAS can't compare its position with those in the US as our market is still strong, especially the domestic routes. The international routes are also operating as usual," he said.

MAS not having lean structure lead to several lay-offs plan throughout the years. Furthermore, weak of good governance in mitigating external influence of its suppliers tendering and contractual suppliers arrangement lead to huge unnecessary overhead costs to MAS.

This alternative will be explored and discussed further in the case analysis part.



1.7 Conclusion

Pursuant to the several indicators that explained and analysed in the previous sections, MAS can be concluded as having severe poor performance issues which had been influenced by several internal factors and external factors such as Asian Financial Crisis, MH17 and MH370 incidents and COVID-19.

Several performance management tools have been utilized in measuring and reaching the conclusion of MAS severe poor performance issues such as PESTEL analysis, SWOT analysis, Porter's Five Forces, Z-Score statistical method and Performance Pyramid analysis.

MAS also had been seen taking several steps by changing its corporate objectives several times throughout the turbulence period under study. However, it did not result to better performance position to what its desired to be.

MAS also is being seen to have lost focus in the real performance areas that it should fix and remedy in order to boost the company performance towards the desired objectives and escaped from lost making airlines business.

The details case analysis and how MAS can do and could do better in the past years and the future years will be explored and discussed further in the next section.

PART 2 : CASE ANALYSIS

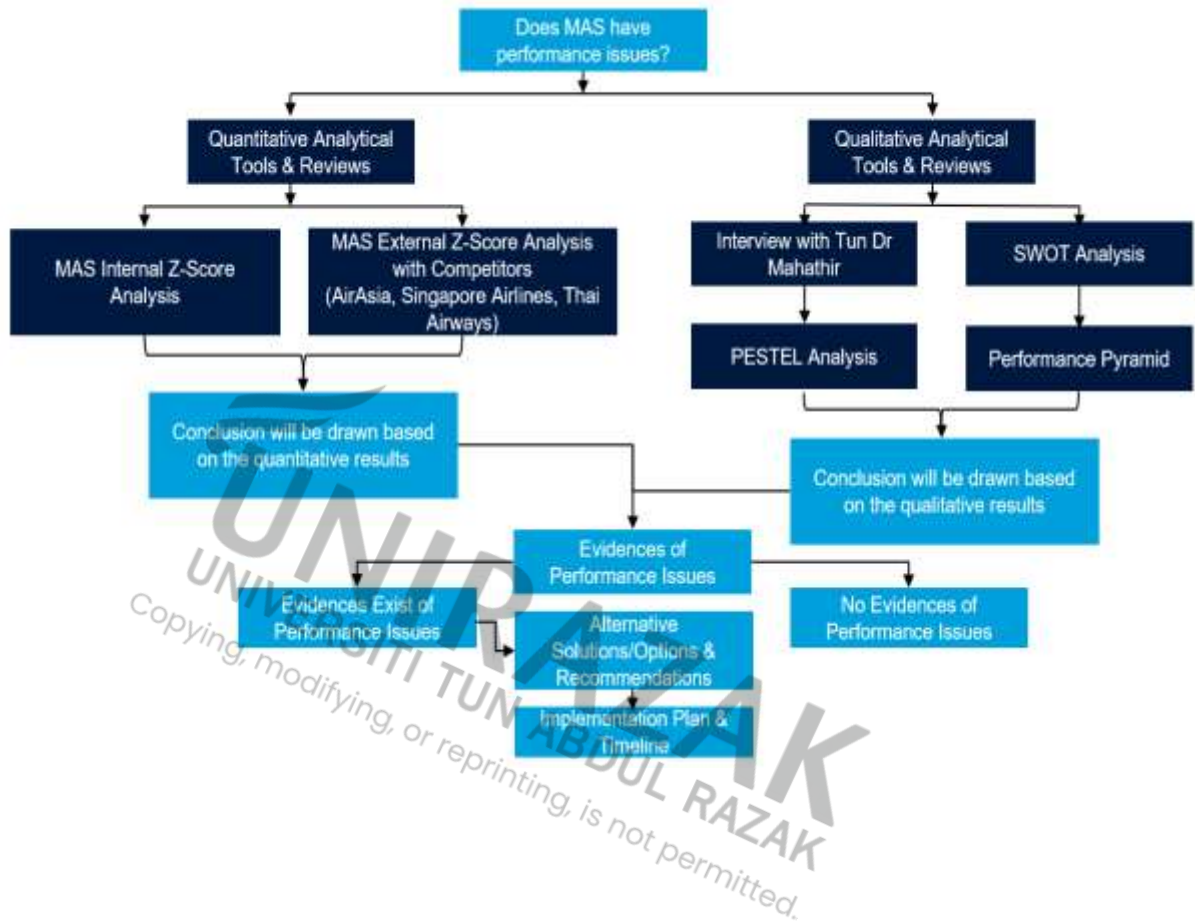
2.1 Case Synopsis & Analytical Framework

This case study will focus on the performance management issues in MAS. Based on the initial findings from the analysis tools such as PESTEL , SWOT, Z-Score and Performance pyramid analysis performed earlier.

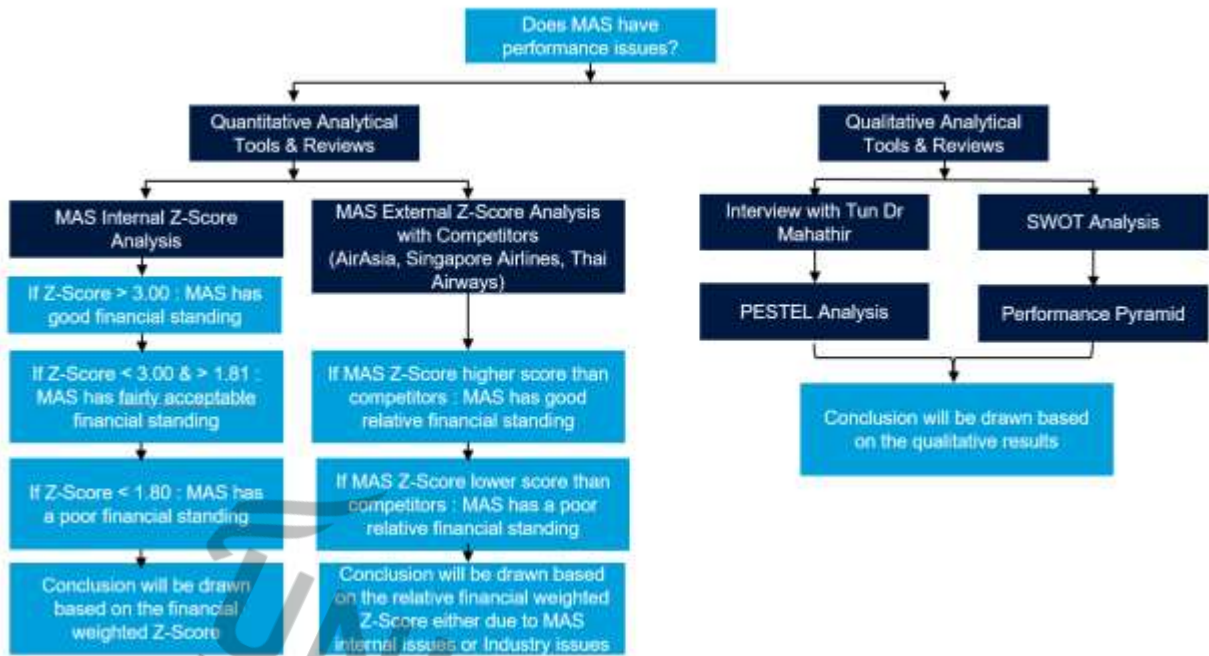
This case study will look at 2 perspectives as per below diagram, which are :-

- a. Quantitative analytical tools and reviews
 - i. Z-Score Analysis as per past audited financial statements as internal benchmarking
 - Which have been discussed and analysed in the Part 1 of the case study
 - ii. Z-Score Analysis in relative to other external competitors (AirAsia, Singapore Airlines, Thai Airways) past audited financial statements for external benchmarking
 - Which will be discussed and analysed in the Part 2 , in this section.
- b. Qualitative analytical tools and reviews
 - i. Interview with Tun Dr. Mahathir Bin Mohammad (Former Prime Minister)
 - Which will be discussed and analysed in the Part 2 , in this section.
 - ii. SWOT Analysis – Which have been discussed in Part 1 of the case study
 - Which have been discussed and analysed in the Part 1 of the case study
 - iii. PESTEL Analysis
 - Which have been discussed and analysed in the Part 1 of the case study
 - iv. Performance Pyramid
 - Which have been discussed and analysed in the Part 1 of the case study

The conclusion will be drawn based on the evidences on the quantitative and qualitative analytical tools and reviews. The below diagram shows the flow of the analytical framework accordingly.



Additionally, the elaboration of the expected results as per below diagram



2.2 Recognition of Problem of Performance Management Issues at MAS

In this case study we will corroborate our initial findings and hypothetical assumptions on MAS long term performance management issues by several details analyses and further discussion and from the perspective of the prominent stakeholders of MAS.

Two perspectives have been chosen in this Part 2 of the case study as below:-

- i) Benchmarking exercise of MAS to other competitors such as Air Asia, Singapore Airlines and Thai Airways. This exercise will be looked in details by the utilization and application of Z-Score analysis tool.
- ii) Interview and discussion with Tun Dr Mahathir (MAS prominent stakeholder) Tun Dr Mahathir is a former 2-time Prime Minister of Malaysia and also a prominent stakeholder in MAS performance management. Additionally, MAS

was golden era taken place during his leadership as Malaysia 4th Prime Minister. Acquiring Tun insights and opinions on the MAS performance management issues will give a great meaning on the MAS sustainability.

2.2.1 Benchmarking Exercise of MAS

This exercise is looking from several performance measures of MAS competitors such as AirAsia, Singapore Airlines and Thai Airways which are operating in the same region as MAS. This will focus on finance and market of other competitors.



2.2.2 AirAsia as Benchmarking Exercise of MAS

AirAsia 3-Year Past Performances Indicators				
Year Factors	1997 - 1998 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	20013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
Average 3-Year Sales Revenue	RM11.9 Million	RM178,152 Million	RM560,8408 Million	RM551,3612 Million
Average 3-Year Operating Costs	RM34.2 Million	RM162,237 Million	RM540,8713 Million	RM6,494,639 Million
Average 3-Year Profit/(Loss)	Loss RM22.2 Million	Loss RM23,532 Million	Loss RM199,695 Million	Loss RM981,028 Million
Average 3-Year Malaysia Gross Domestic Products	RM 501 Billion	RM 592 Billion	RM 1,118 Billion	RM 1,378 Billion
Average 3-Year Personal Consumption (GDP)	RM 216 Billion	RM 244 Billion	RM 598 Billion	RM 804 Billion
Average 3-Year Inflation Rate (CPI)	3.2	1.6	2.5	0.2
Average 3-Year MYR/USD	2.6	3.8	3.4	4.1
Average 3-Year No. of Tourists	7 Million Tourists	12 Million Tourists	26.3 Million Tourists	18.8 Million Tourists

2.2.2A Financial Evaluation of AirAsia Sdn. Bhd. 1997 – 1998 (Asian Financial Crisis)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 1998 and 31 December 1997 which considered as the period of Asian Financial Crisis. These audited reports are purportedly signed by Price Waterhouse (PW). We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation.

Summary of Financial Indicators

Financial Criteria (in MYR)	31 December 1998	31 December 1997
Working capital	(RM13,105,827)	RM2,384,423
Current ratio	0.48	1.29
Quick ratio	0.11	0.49
Debt/Equity ratio	(0.65)	N/A
Debt ratio	1.92	0.58
Turnover	RM30,944,317	RM4,986,306
Profit/(Loss) before tax	(RM51,766,334)	(RM14,838,817)
Retained profit/(Loss)	(RM66,636,597)	(RM14,870,263)
Shareholders' Fund	(RM14,641,597)	RM5,929,737

Revenue Breakdown

Revenue (in MYR)	31 March 1998	31 March 1997	31 March 1996
Passenger service & air craft charter	RM30,944,317	RM4,986,306	RM Nil
Total Revenue	RM30,944,317	RM4,986,306	RM Nil

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Loss stands at RM14.6mil as of 31 March 1998.

The Company has a low current ratio and low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a medium level of debt ratio coupled with shareholder loss to finance its operation, which led to high risk of financial sustainability in the future years.

Financial Z-Score Rating

Financial Weighted Score: 2.19 (Yellow)

Financial Exposure:

The Company not only capable to undertake any projects due to is high risk financial standing. The Company needs financial support from the external parties.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

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2.2.2B Financial Evaluation of AirAsia Sdn. Bhd. 2000 – 2002 (Restructuring And Signs of Recoverability)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 30 June 2002 and 31 March 2001 purportedly signed by PriceWaterhouseCoopers and Horwath respectively. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	30 June 2002	31 March 2001
Working capital	RM929	(RM13,690)
Current ratio	1.02	0.78
Quick ratio	0.28	0.56
Debt/Equity ratio	0.0	(0.90)
Debt ratio	0.90	3.13
Turnover	RM217,421	RM167,749
Profit/(Loss) before tax	RM288	(RM19,117)
Retained profit/(Loss)	(RM156,816)	(RM157,048)
Shareholders' Fund	RM4,470	(RM104,978)

Revenue Breakdown

Revenue (in '000 MYR)	30 June 2002	31 March 2001	31 March 2000
Passenger service & air craft charter	RM217,421	RM167,749	RM149,285
Total Revenue	RM217,421	RM167,749	RM149,285

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at RM4.4Bil as of 30 June 2002.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a high level of debt ratio coupled with low shareholder funds to finance its operation, which led to high risk of financial sustainability in the future years.

Financial Z-Score Rating

Financial Weighted Score: 2.27 (Yellow)

Financial Exposure:

The Company is only capable to undertake any projects within RM1.3Bil due to is high risk financial standing. The Company needs financial support from the external parties for future sustainability.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

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2.2.2C Financial Evaluation of AirAsia Sdn. Bhd. 2013 – 2015 (MH 17& MH370 Incidents & AirAsia QZ8501)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 2015 and 31 December 2014 purportedly signed by PriceWaterhouseCoopers (PWC) respectively. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 2015	31 December 2014
Working capital	(RM253,812)	(RM829,869)
Current ratio	0.94	0.75
Quick ratio	0.53	0.40
Debt/Equity ratio	2.83	2.79
Debt ratio	0.79	0.78
Turnover	RM6,297,658	RM5,415,744
Profit/(Loss) before tax	RM215,150	RM22,701
Retained profit/(Loss)	RM3,355,740	RM2,898,035
Shareholders' Fund	RM4,450,854	RM4,555,091

Revenue Breakdown

Revenue (in '000 MYR)	31 December 2015	31 December 2014	31 December 2013
Passenger seat sales	RM3,648,913	RM2,989,268	RM3,004,429
Baggage fee	RM491,787	RM456,039	RM442,677
Aircraft lease income	RM1,423,122	RM793,020	RM666,247
Surcharge	RM180,171	RM677,241	RM597,972
Other	RM553,665	RM500,176	RM410,497
Total Revenue	RM6,297,658	RM5,415,744	RM5,121,822

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at RM4.4mil as of 31 December 2015.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a high level of debt ratio coupled with low shareholder funds to finance its operation, which led to high risk of financial sustainability in the future years.

Financial Z-Score Rating

Financial Weighted Score: 0.73 (Red)

Financial Exposure:

The Company is only capable to undertake any projects within RM1.3Bil due to is high risk financial standing. The Company needs financial support from the external parties for future sustainability.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.2D Financial Evaluation of AirAsia Sdn. Bhd. 2018 – 2020 (COVID-19 Impacts)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 December 2020 and 31 December 2019 purportedly signed by Ernst & Young PLT (E&Y) respectively. We assume that there are no material financial changes since the date of the report.

The Company principal activity in the business of air transportation and the provision of related services.

Summary of Financial Indicators

Financial Criteria (in '000 MYR)	31 December 2020	31 December 2019
Working capital	(RM2,747,362)	(RM475,618)
Current ratio	0.44	0.88
Quick ratio	0.03	0.44
Debt/Equity ratio	(0.55)	0.05
Debt ratio	1.10	0.87
Turnover	RM1,889,884	RM7,432,401
Profit/(Loss) before tax	(RM3,538,636)	RM444,461
Retained profit/(Loss)	(RM3,976,418)	(RM43,689)
Shareholders' Fund	(RM1,543,973)	RM2,563,213

Revenue Breakdown

Revenue (in '000 MYR)	31 December 2020	31 December 2019	31 December 2018
Passenger seat sales	RM1,819,363	RM7,091,205	RM6,748,298
Aircraft lease income	RM7,955	RM206,411	RM346,220
Surcharge	RM62,566	RM134,785	RM124,032
Total Revenue	RM1,889,884	RM7,432,401	RM7,218,550

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Deficit stands at -RM1.5Bil as of 31 December 2020.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a high level of debt ratio coupled with low shareholder funds to finance its operation, which led to high risk of financial sustainability in the future years.

Financial Z-Score Rating

Financial Weighted Score:

1.65 (Red)

Financial Exposure:

The Company needs financial support from the external parties for future sustainability.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.3 Singapore Airlines as Benchmarking Exercise of MAS

Singapore Airlines 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
Average 3-Year Sales Revenue	No Data Published	SGD 9,903 Million	SGD 15,300 Million	SGD 2,038 Million
Average 3-Year Operating Costs	No Data Published	SGD 8,623 Million	SGD 14,869 Million	SGD 13,474 Million
Average 3-Year Profit/(Loss)	No Data Published	Profit SGD 1,281 Million	Profit SGD 431 Million	Loss SGD 1,436 Million
Average 3-Year Singapore Gross Domestic Products	SGD 159 Billion	SGD 194 Billion	SGD 410 Billion	SGD 473 Billion
Average 3-Year Personal Consumption (GDP)	SGD 67 Billion	SGD 92 Billion	SGD 150 Billion	SGD 170 Billion
Average 3-Year Inflation Rate (CPI)	1.7	0.7	1.0	0.3
Average 3-Year SGD/USD	1.4	1.8	1.3	1.4
Average 3-Year No. of Tourists	7.2 Million Tourists	7.6 Million Tourists	5.3 Million Tourists	13.5 Million Tourists

2.2.3A Financial Evaluation of Singapore Airlines Ltd. 2000 – 2002 (Restructuring And Signs of Recoverability)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 March 2003 and 31 March 2002 purportedly signed by Ernst & Young PLT (E&Y) respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation, engineering services, airport terminal services, training of pilots, air charters and tour wholesaling and related activities.

Summary of Financial Indicators

Financial Criteria (in SGD Mil)	31 March 2003	31 March 2002
Working capital	(SGD 1,144)	(SGD 239)
Current ratio	0.68	0.92
Quick ratio	0.27	0.36
Debt/Equity ratio	0.19	0.22
Debt ratio	0.43	0.46
Turnover	SGD 10,515	SGD 9,372
Profit/(Loss) before tax	SGD 977	SGD 960
Retained profit/(Loss)	SGD 9,539	SGD 8,655
Shareholders' Fund	SGD 10,976	SGD 10,075

Revenue Breakdown

Revenue (in SGD Mil)	31 March 2003	31 March 2002	31 March 2001
Revenue	SGD 10,515	SGD 9,372	SGD 9,823
Total Revenue	SGD 10,515	SGD 9,372	SGD 9,823

The Company has a fairly acceptable financial standing, with average risk category, whereby the Shareholders' Fund stands at SGD11Bil as of 31 March 2003.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a medium level of debt ratio but high shareholder funds to finance its operation. This indicates that the Company is in medium to strong position to finance its financial operation.

Financial Z-Score Rating

Financial Weighted Score:

2.95 (Yellow)

The Company is only capable to undertake any projects within SGD 3.3Bil due to its current financial standing.

Financial Exposure:

The Company may need financial support from the external parties for future sustainability if its undertakes projects > SGD3.3Bil.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.3B Financial Evaluation of Singapore Airlines Ltd. 2013 – 2015 (MH 17& MH370 Incidents & AirAsia QZ8501)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 March 2015 and 31 March 2014 purportedly signed by Ernst & Young PLT (E&Y) respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation, engineering services, airport terminal services, training of pilots, air charters and tour wholesaling and related activities.

Summary of Financial Indicators

Financial Criteria (in SGD Mil)	31 March 2015	31 March 2014
Working capital	SGD 683	SGD 1,919
Current ratio	1.10	1.36
Quick ratio	0.80	0.96
Debt/Equity ratio	0.14	0.07
Debt ratio	0.46	0.40
Turnover	SGD 15,566	SGD 15,244
Profit/(Loss) before tax	SGD 443	SGD 368
Retained profit/(Loss)	(SGD 706)	(SGD 40)
Shareholders' Fund	SGD 12,930	SGD 13,575

Revenue Breakdown

Revenue (in SGD Mil)	31 March 2015	31 March 2014	31 March 2013
Revenue	SGD 15,566	SGD 15,244	SGD 15,089
Total Revenue	SGD 15,566	SGD 15,244	SGD 15,089

The Company has a fairly acceptable financial standing, with average risk category, whereby the Shareholders' Fund stands at SGD13Bil as of 31 March 2015.

The Company has a high current ratio and high quick ratio which indicates that it has high ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a medium level of debt ratio but high shareholder funds to finance its operation. This indicates that the Company is in medium to strong position to finance its financial operation.

Financial Z-Score Rating

Financial Weighted Score:

2.73 (Yellow)

The Company is only capable to undertake any projects within SGD 3.8Bil due to its current financial standing.

Financial Exposure:

The Company may need financial support from the external parties for future sustainability if its undertakes projects > SGD3.8Bil.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.3C Financial Evaluation of Singapore Airlines Ltd. 2018 – 2020 (COVID-19 Impacts)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 31 March 2021 and 31 March 2020 purportedly signed by Ernst & Young PLT (E&Y) respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation, engineering services, airport terminal services, training of pilots, air charters and tour wholesaling and related activities.

Summary of Financial Indicators

Financial Criteria (in SGD Mil)	31 March 2021	31 March 2020
Working capital	SGD 3,959	(SGD 6,159)
Current ratio	1.69	0.44
Quick ratio	1.41	0.28
Debt/Equity ratio	0.70	1.01
Debt ratio	0.57	0.71
Turnover	SGD 3,816	SGD 15,976
Profit/(Loss) before tax	(SGD 4,957)	(SGD 220)
Retained profit/(Loss)	(SGD 179)	(SGD 2,151)
Shareholders' Fund	SGD 16,278	SGD 9,733

Revenue Breakdown

Revenue (in SGD Mil)	31 March 2021	31 March 2020	31 March 2019
Revenue	SGD 3,816	SGD 15,976	SGD 16,323
Total Revenue	SGD 3,816	SGD 15,976	SGD 16,323

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at SGD16Bil as of 31 March 2021.

The Company has a high current ratio and high quick ratio which indicates that it has high ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances. This is mainly due to injection from Parent company (TEMASEK) of around SGD 6Bil during the COVID impacts.

The Company has a medium level of debt ratio but high shareholder funds to finance its operation. This indicates that the Company is in medium to strong position to finance its financial operation.

Financial Z-Score Rating

Financial Weighted Score:

1.40 (Red)

The Company is only capable to undertake any projects within SGD 4.9Bil due to its current financial standing.

Financial Exposure:

The Company may need financial support from the external parties for future sustainability if its undertakes projects > SGD4.9Bil.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.4 Thai Airways as Benchmarking Exercise of MAS

Thai Airways 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
Average 3-Year Sales Revenue	No Data Published	THB 138,718 Million	THB 192,477 Million	THB 14,575 Million
Average 3-Year Operating Costs	No Data Published	THB 121,416 Million	THB 207,071 Million	THB 195,820 Million
Average 3-Year Profit/(Loss)	No Data Published	THB 17,303 Million	Loss THB 4,594 Million	Loss THB 17,303 Million
Average 3-Year Singapore Gross Domestic Products	THB 5,238 Billion	THB 6,046 Billion	THB 9,184 Billion	THB 10,474 Billion
Average 3-Year Personal Consumption (GDP)	THB 2,835 Billion	THB 3,454 Billion	THB 4,818 Billion	THB 5,571 Billion
Average 3-Year Inflation Rate (CPI)	5.7	1.8	1.1	0.3
Average 3-Year THB/USD	27.1	41.6	32.5	31.6
Average 3-Year No. of Tourists	7.1 Million Tourists	10.8 Million Tourists	27.1 Million Tourists	28.3 Million Tourists

2.2.4A Financial Evaluation of Thai Airways International Public Company Ltd & Subsidiaries 2004 – 2003 (Restructuring And Signs of Recoverability)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 30 September 2004 and 30 September 2003 purportedly signed by Auditor General of Thailand respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation and related activities.

Summary of Financial Indicators

Financial Criteria (in THB)	30 September 2004	30 September 2003
Working capital	(THB 1,167,424,828)	(THB 10,241,578,459)
Current ratio	0.98	0.77
Quick ratio	0.47	0.28
Debt/Equity ratio	1.69	2.47
Debt ratio	0.72	0.78
Turnover	THB 152,603,021,312	THB 134,536,283,369
Profit/(Loss) before tax	THB 14,284,056,766	THB 17,430,902,468
Retained profit/(Loss)	THB 21,274,938,937	THB 16,810,600,487
Shareholders' Fund	THB 54,323,756,432	THB 36,171,242,825

Revenue Breakdown

Revenue (in THB)	30 September 2004	30 September 2003	30 September 2002
Passenger and excess baggage	122,466,283,429	106,408,738,055	102,195,967,287
Freight	22,250,415,100	21,370,905,982	19,981,396,153
Mail	994,103,330	871,312,615	728,138,288
Others	6,892,219,453	5,885,326,717	6,109,991,638
Total Revenue	152,603,021,312	134,536,283,369	129,015,493,366

The Company has a fairly acceptable financial standing, with average risk category, whereby the Shareholders' Fund stands at THB 54Bil as of 30 September 2004.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a high level of debt ratio but medium level of shareholder funds to finance its operation.

Financial Z-Score Rating

Financial Weighted Score:

1.85 (Yellow)

Financial Exposure:

The Company is only capable to undertake any projects within THB 16.3Bil due to its current financial standing. The Company may need financial support from the external parties for future sustainability if its undertakes projects > THB16.3Bil.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.4B Financial Evaluation of Thai Airways International Public Company Ltd & Subsidiaries 2013 – 2015 (MH 17& MH370 Incidents & AirAsia QZ8501)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 30 September 2015 and 30 September 2014 purportedly signed by Auditor General of Thailand respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation and related activities.

Summary of Financial Indicators

Financial Criteria (in THB)	30 September 2015	30 September 2014
Working capital	(THB 731,637,701)	(THB 13,618,222,264)
Current ratio	0.99	0.83
Quick ratio	0.29	0.30
Debt/Equity ratio	5.84	4.65
Debt ratio	0.89	0.87
Turnover	THB 182,727,357,021	THB 188,367,611,175
Profit/(Loss) before tax	(THB 14,116,303,267)	(THB 16,737,393,715)
Retained profit/(Loss)	(THB 19,556,528,841)	(THB 6,157,919,701)
Shareholders' Fund	THB 32,925,690,824	THB 41,295,932,378

Revenue Breakdown

Revenue (in THB)	30 September 2015	30 September 2014	30 September 2013
Passenger and excess baggage	152,487,688,487	154,881,181,131	172,334,807,613
Freight	18,089,435,210	22,848,094,507	23,553,974,470
Mail	562,089,100	753,212,553	960,880,422
Others	11,588,144,224	9,885,122,984	9,486,581,292
Total Revenue	182,727,357,021	188,367,611,175	206,336,243,797

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Fund stands at THB 32.9Bil as of 30 September 2015.

The Company has a high current ratio but low quick ratio which indicates that it has low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a high level of debt ratio but medium level of shareholder funds to finance its operation.

Financial Z-Score Rating

Financial Weighted Score:

0.72 (Red)

The Company is only capable to undertake any projects within THB 9.8Bil due to its current financial standing.

Financial Exposure:

The Company may need financial support from the external parties for future sustainability if its undertakes projects > THB9.8Bil.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.4C Financial Evaluation of Thai Airways International Public Company Ltd & Subsidiaries 2018 – 2020 (COVID-19 Impacts)

This evaluation is prepared on the basis of the photocopy of audited financial statements for year ended 30 September 2020 and 30 September 2018 purportedly signed by Deloitte and Auditor General of Thailand respectively. We assume that there are no material financial changes since the date of the report.

The principal activities of the Group consist of air transportation and related activities.

Summary of Financial Indicators

Financial Criteria (in THB)	30 September 2020	30 September 2019
Working capital	(THB 184,080,857,604)	(THB 21,873,781,911)
Current ratio	0.10	0.68
Quick ratio	0.04	0.32
Debt/Equity ratio	(0.85)	11.91
Debt ratio	1.62	0.95
Turnover	THB 47,716,455,308	THB 181,042,041,854
Profit/(Loss) before tax	(THB 140,097,208,295)	(THB 11,034,605,055)
Retained profit/(Loss)	(THB 152,433,191,068)	(THB 12,031,376,079)
Shareholders' Fund	(THB 128,664,862,981)	THB 11,765,705,289

Revenue Breakdown

Revenue (in THB)	30 September 2020	30 September 2019	30 September 2018
Passenger and excess baggage	34,162,870,829	149,044,250,701	160,255,180,477
Freight & Mail	6,892,792,058	17,783,341,709	22,340,404,086
Others	6,660,792,421	14,214,449,444	13,369,555,839
Total Revenue	47,716,455,308	181,042,041,854	195,965,140,402

The Company has a poor financial standing, with high risk category, whereby the Shareholders' Deficit stands at -THB 128.6Bil as of 30 September 2020.

The Company has a low current ratio and low quick ratio which indicates that it has extremely low ability to meet its immediate obligations when its due by the liquid assets i.e. cash and bank balances.

The Company has a extremely level of shareholders deficit and negative debt ratio which have raised concern on its ability to finance its operation.

Financial Z-Score Rating

Financial Weighted Score:

0.77 (Red)

Financial Exposure:

The Company may need financial support from the external parties for future sustainability and due to negative shareholders fund (deficit level) it needs urgent external financing support.

Financial Result	Parity Band	Risk Category	Weighted Score	Risk Category	
1.81	RED	High Risk	0.0 - 1.80	High Risk	The Company has a poor financial standing
3.00	YELLOW	Average Risk	1.81 - 2.99	Average Risk	The Company has a fairly acceptable financial standing
	GREEN	Safe	3.00 and above	Safe	The Company has a good financial standing

2.2.5 Z-Score Performance Summary From Benchmarking Exercise

Z-Score Benchmarking of 3-Year Past Performances Indicators				
Year Factors	1995 - 1997 Asian Financial Crisis	2000 - 2002 Restructuring and Sign of Recoverability	2013 - 2015 MH 17 & MH 370 Incidents	2018 - 2020 COVID-19 Impacts
MAS	1.22	0.44	1.20	1.70
AirAsia	2.19	2.72	0.73	1.65
Singapore Airlines	No Data	2.95	2.73	1.40
Thai Airways	No Data	1.85	0.72	0.77

From this Z-score benchmarking exercise, it gives a wider spectrum of MAS performance in relative to the other MAS competitors during the same turbulence 4 periods which are 1995 to 1997 Asian Financial Crisis, 2000 to 2002 Restructuring and sign of recoverability, 2013 to 2015 MH 17 and MH 370 incidents and 2018 to 2020 COVID-19 impacts.

In 1995 to 1997 average performance figures, it can be seen that MAS is already showing poor financial standing in relative to AirAsia. Asian Financial Crisis only hit South East Asian countries including Malaysian in the mid of 1996. The year before mid 1996 was considered MAS golden era or at peak of its financial and market performance. However, in reality it was just a delay effects to the year after on its real risky situation. AirAsia on the other hand is at average risk situation and has a fairly acceptable financial standing in relative to MAS.

The booming years of 2000 to 2002 which depicted the period of restructuring and sign of recoverability for the airline industry and was inline with the globalization mobility strategy introduced by the developed countries, led by United States of America. In this period of time, it can be seen other competitors which are AirAsia, Singapore Airlines were enjoying a better financial positioning and almost at having good financial standing position. Even the Thai Airways was at better financial positioning in relative to MAS at this period of time.

The tragic incidents of MH370 and MH17 of MAS took place on 8th March 2014 and 17th July 2014 had pushed MAS performance lower to its previous positioning. MAS is being highlighted with poor financial standing as a direct impact to these two tragic incidents. AirAsia is on the other hand, having the same tragic incident of its QZ8501 in the late 2014. This has also influenced the AirAsia performance and financial standing during the period. Additionally, Singapore Airlines is the only airlines company which is having fairly acceptable financial standing during the period mainly due to non-incidents related issue and also a better governance of Singapore Airlines.

The COVID-19 impacts have pushed all of the airlines companies performance to the rock bottom due to international lockdown, unable to operate the flights and incurring high overhead costs without cost recoverability options in the airlines industry.

In summary, MAS is the only airlines company in this benchmarking exercise which is having poor financial standing in all the four turbulence periods. This is signifying the internal governance and controlling issues of MAS internally which will be looked further in the next section.

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2.3 Interview and Discussion With Tun Dr Mahathir Mohammad, Malaysian Former Prime Minister and MAS Prominent Stakeholder

This case study has been extended in gathering more inputs and insights from Malaysia Former Prime Minister, Yang Amat Berbahagia (YABhg.) Tun Dr. Mahathir Mohammad. The first session with YABhg. Tun was scheduled on the 7th June 2022 at Perdana Leadership Foundation.



Additionally, a subsequent physical session with YABhg. Tun was held on the 5th July 2023 at Perdana Leadership Foundation in discussing more inputs and strategies which can be useful for MAS in turning around its business model.



There are 8 main questions and topics that were discussed with YABhg. Tun as below:-

- i. Financial Stewardship, Corporate Governance (Internal Factors) or External Factors That Caused the MAS weak performances throughout the 4 turbulence periods.

YABhg. Tun has commented that both internal factors and external factors have influenced the MAS performances from the very beginning of MAS establishment. The financial stewardship and corporate governance issues in MAS plays a big role and which has caused led to the split of MSA (Malaysia-Singapore Airlines) to Malaysia Airlines Systems Berhad and Singapore Airlines.

During MSA era, the issues of financial stewardship and governance of Malaysian team in the MSA, a joint venture company of both countries have led to

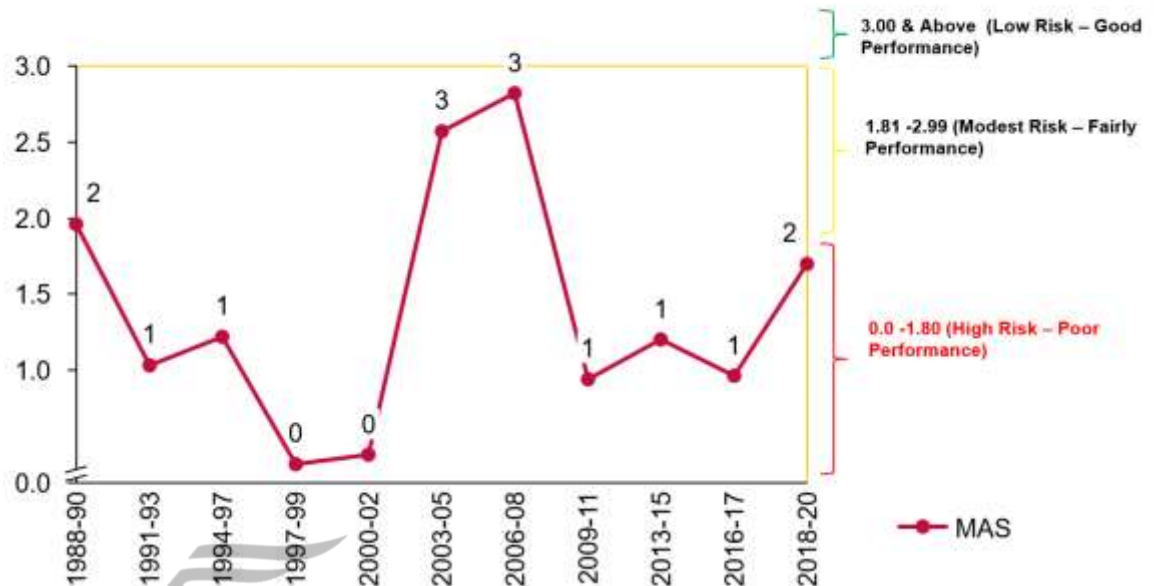
Singaporean team gained the advantage of MSA and registering Singapore as a main city of MSA for flight landing approval and rights. This would mean the overseas country shall expect a flight from Singapore to the country instead of Kuala Lumpur or a mixed of Singapore and Kuala Lumpur.

After the split of MSA in 1972, Malaysian Airlines System Berhad (MAS) was established to meet Malaysian needs and aligned to Malaysian government strategy.

The Z-Score analysis from 1995 of MAS have been presented to YABhg. Tun and Tun acknowledged that the MAS have the financial stewardship issues. However, it was hoped that MAS would resolve its financial stewardship and governance issues at that point in time. However, this hope and aspiration have led to several bail out strategy by the Khazanah Nasional Berhad and Government of Malaysia as the main shareholders by RM28 Billion as of 2020.

The MAS Z-score performance chart is being prepared based on the audited financial statements of MAS throughout the years and it can be concluded that the highest Z-Score financial standing that MAS achieved was in between 2003 to 2008 reaching 3.00 points indicator as low risks with good financial performance. However, these periods were after the Government bailout which huge sum of monies had been injected to MAS. The rest of the years from the 1988 was at fairly performance with moderate risks.

MAS Z-Score Performance Chart

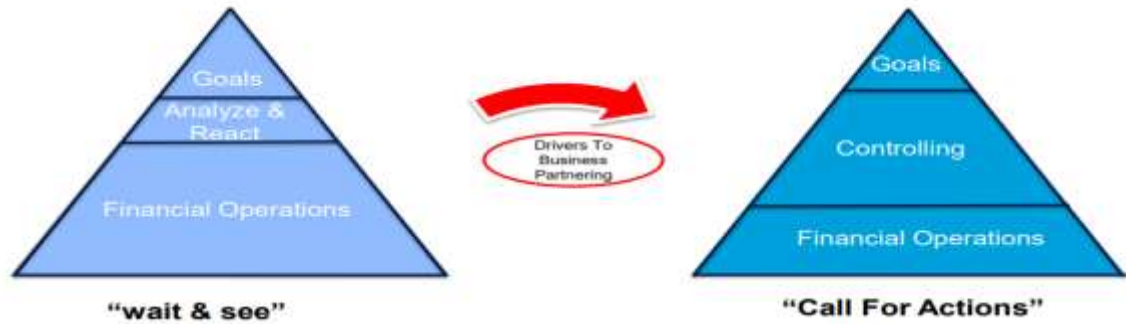


- ii. Internal Cost Management Issues and Business Controlling weakness of MAS that led to the MAS pro-longed performance issues.

YABhg. Tun acknowledged on the internal cost management issues and business controlling weaknesses of MAS that have led to the MAS pro-longed performance issues.

MAS was perceived as having weak cost controlling in relative to its direct quality effects as compared to the other competitors in the airlines industry such as Singapore Airlines, AirAsia and etc.

In the discussion, the attention of benchmarking on how Germany business practices and standards of managing the performance and business controlling have been brought forward to the discussion table as per below table:-



MAS was and is still adopting wait and see approach whereby it focuses on the financial operations and have imbalance split between financial operations and reactions to close any expectation gaps.

Whereas the Germany business practices and standards have adopted advanced method of calling for actions when issues arises and resolve them to deter any bigger implications in the future years.

- iii. Internal Overhead Costs overrun and inflated higher than Malaysia national inflation rates throughout the 4 turbulence periods.

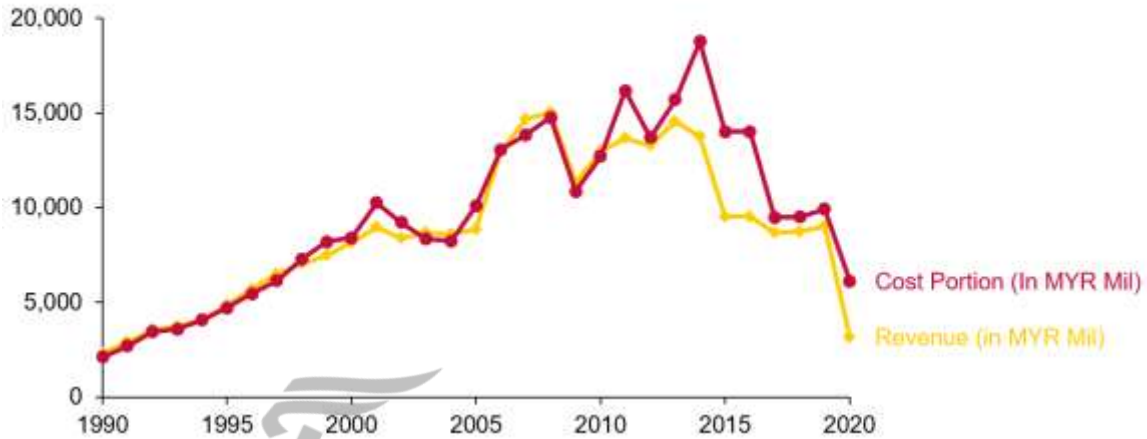
During the session with YABhg. Tun, this has been brought to the discussion table on the several perspectives of high overhead costs in relative to MAS sales revenue compared with other airlines competitors in the markets such as Singapore Airlines and AirAsia.

The table below for MAS, Singapore Airlines and AirAsia are being prepared based on the extraction of audited financial statements of MAS throughout the indicated periods.

MAS had shown cost management issues from 1990 but it was controllable up until Asian Financial crisis 1996 to 1997 and the cost management became continuously

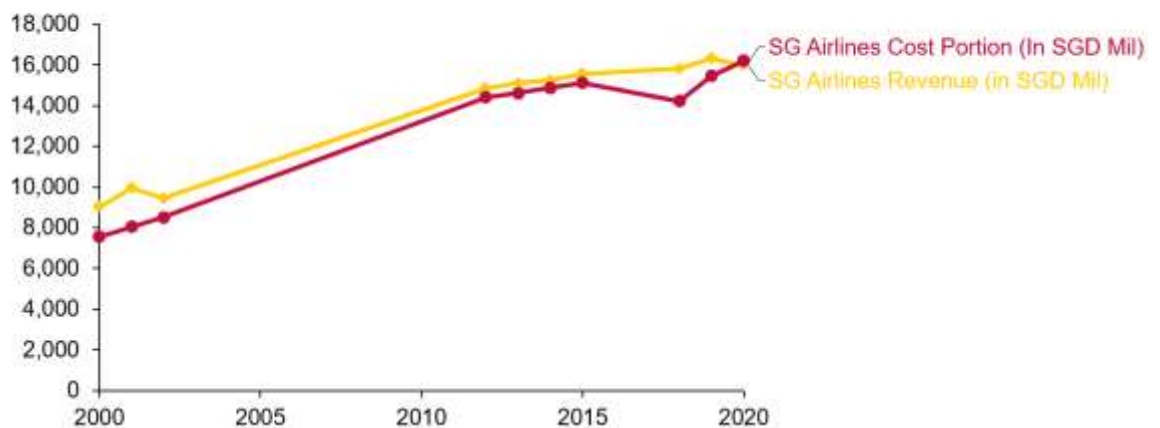
severe over the years. Even though the inflation rates of Malaysia was relative low in 1990s, MAS was already in cost management issues.

MAS Cost Management Perspectives



In comparison to Singapore Airlines, in the cost sensitive industry , Singapore Airlines managed to manage its costs up until 2020 due to the special impacts from COVID-19 outbreak and lockdown impacts. From this perspective, it can be summarized that Singapore Airlines has a better cost controlling and management which MAS should be able to adopt and adapt the same strategy.

Singapore Airlines Cost Management Perspectives



Additionally, AirAsia has a better cost management structure in relative to MAS by maintaining its costs lower than its sales revenue post 2003 and continue to be in this good practice up until COVID-19 outbreak in 2020.



Based on this comparison and benchmarking of MAS cost management to Singapore Airlines which also provide premium quality airlines service and also to AirAsia which provide low cost quality of airlines service, this is summed up as MAS has an internal cost management and controlling issues.

iv. Benchmarking approach adopted by MAS

Regional airlines such as Singapore Airlines, Thai Airways, AirAsia are also facing and undergone the 4 global financial crisis (Asian Financial Crisis 1997/1998, The Global tech wreck 2001, The Global financial crisis 2009 and COVID-19 Outbreak 2020/2021)

In case of Singapore Airlines and Thai Airways they are relatively performed better than MAS during these global financial crisis. The discussion point of benchmarking approach has been brought to the table to YABhg. Tun whether MAS should learn and pro-actively adopting best practices of other airlines and translate to what MAS can do better in managing its performances.

YABhg. Tun has hoped that MAS should be in that way from very beginning, however MAS took a direct approach of benchmarking the other airlines without detail blue print strategy in the case of purchasing 6 units of Boeing A380 with the maximum of 853 passengers in a point of time. This purchase was done in 2012 without local perspective of MAS with global mindset and only convinced because Singapore Airlines purchased it. This wrong benchmarking strategy without considering MAS internal strategy has led to even higher overhead costs of MAS. In 2022, MAS has decided to return the 6 units of A380 to Airbus. The 10 years of retaining 6 units of A380 was led higher overhead costs of MAS and MAS unable to recover its costs due to shrinking of MAS market share.

YABhg. Tun is expecting that MAS learn from its past mistakes and should adopt a better benchmarking strategy and localize the best practices to suit MAS performance management.

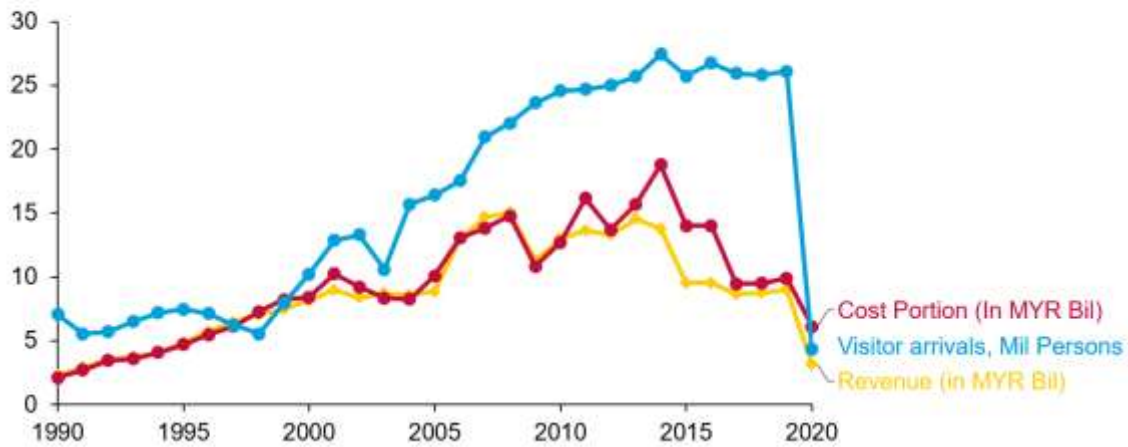
v. Global Tourism and Soaring Impacts of Tourists From China Economic Booming

China Economic booming and the effects of China Tourists in the global tourism market post 2000 and prior to COVID-19 pandemic has lead to higher potential of market share in the South East Asian region including Malaysia.

Most of the airlines companies have been positively affected by the China tourists booming throughout the region. Malaysia also is one of the China tourists most visited destination post 2000 and prior to COVID-19 outbreak. However, these positive effects of China tourists do not tally to the MAS performance post 2000 which can be seen in MAS cost overrun and shrinking market share during the same periods.

The tables below are being extracted from audited financial statements of MAS, Singapore Airlines, AirAsia and IMA Asia Economic information for the years under study.

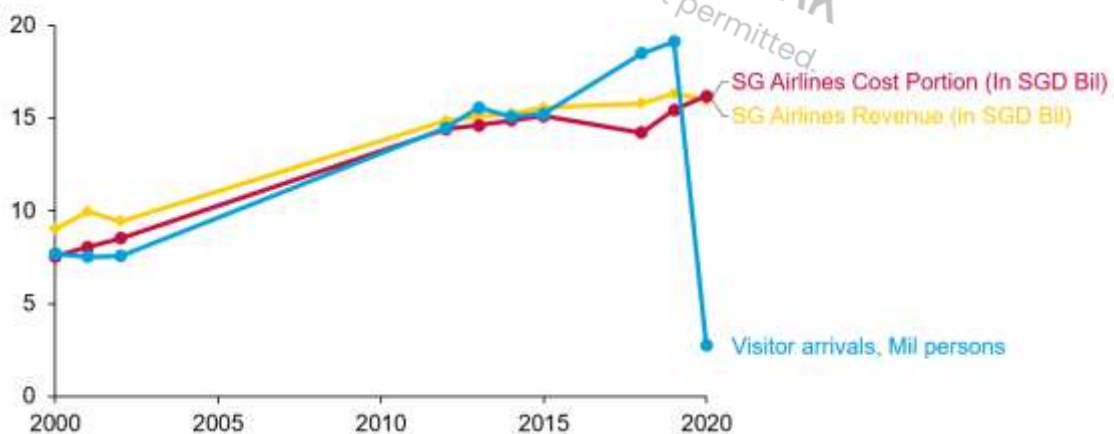
MAS Performance Chart Per Visitor Arrival



Based on the chart above, Malaysia visitors have soared from 2000 and continuously increase subsequently, however the Sales revenue of MAS showing decreasing trend which translated to shrinking market share despite significant increase of visitors to Malaysia. Additionally, as a result of shrinking market shares, MAS does not able to recover its costs continuously.

Furthermore, Singapore Airlines which operate in the same premium quality airlines as MAS shown different trends as below chart.

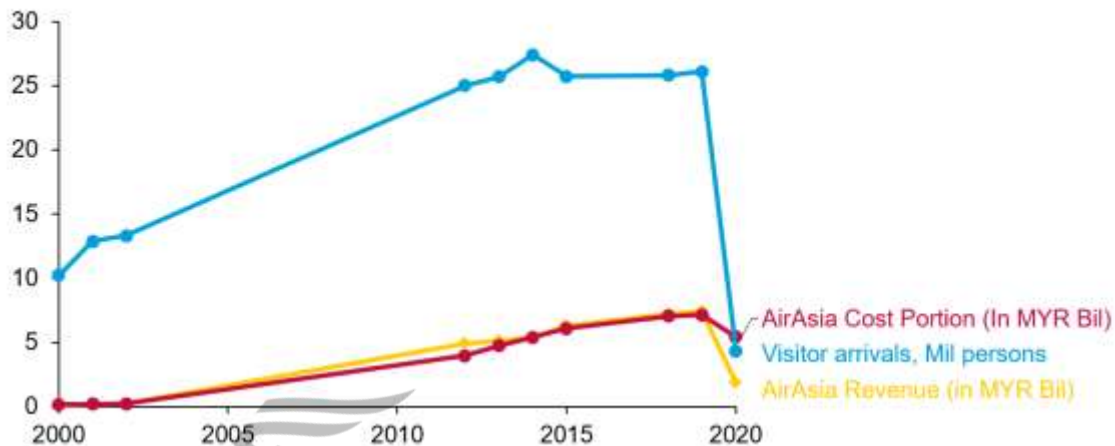
Singapore Airlines Performance Chart Per Visitor Arrival



Singapore Airlines market shares and sales revenue are increasing in parallel to Visitors arrival to Singapore. This would mean Singapore Airlines are the number one choice for

visitors to enter Singapore in comparison to visitors to Malaysia entering the country with other airlines which lead to MAS shrinking market shares.

AirAsia Performance Chart Per Visitor Arrival)



On the other hand as per the chart above, AirAsia which operates in low-service quality market, have shown a similar trend with MAS. However, considering AirAsia is only operating in low-service quality market and with the soaring impacts of global tourism especially from China, AirAsia is performed relative better than MAS as it is able to control its costs and retain its market share during the periods.

vi. Political Intervention in MAS From Pareto 80/20 view

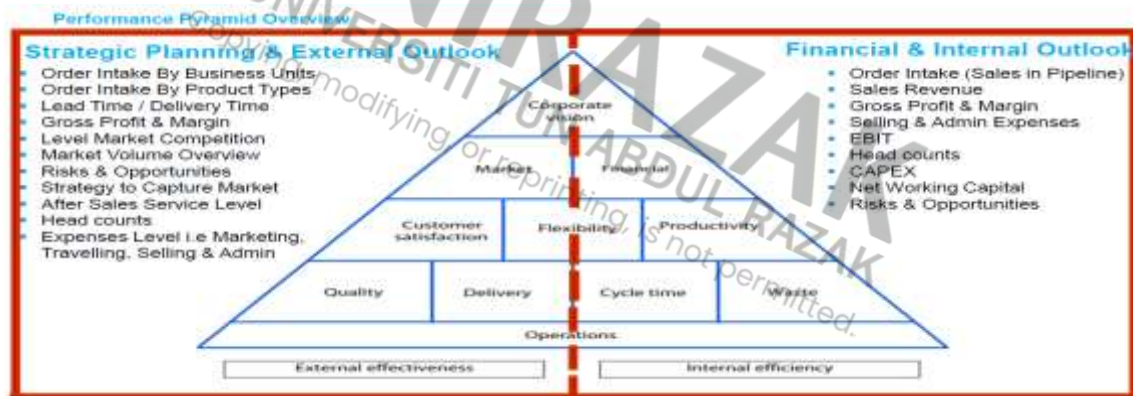
During the session with YABhg. Tun, the topic of political intervention has led to MAS poor performance has been discussed in detail from Pareto 80/20 view. There are numerous claims that MAS weak performance was due to poor supply chain management as most of the contracts are being recommended by the politicians and etc.

Pareto is a tool developed Vilfredo Pareto in 1900s based on the concept of significant few matters will generally lead to 80% of the whole and the trivial many is making 20% of it. By using Pareto analysis as a tool for discussion with YABhg. Tun, it is noted that political

intervention can only influence MAS at the 20% of the most performance areas which is at Board of Directors level.

However, the 80% of the performance areas are within MAS controllable areas of performance internally. This would mean if this 80% of MAS performance structure as at strong governance position, the 20% political influences will not lead to MAS poor performance as claimed.

This can be further viewed by performance pyramid overview which focus on the strategic planning and external outlook of MAS against the market and competition. Additionally, financial, and Internal outlook focus will give deeper understanding of MAS performance management issues. Strengthening internal outlook focus and have a strong strategy to compete externally in the market will lead to stronger performance structure against destructive political influences to MAS.



vii. Bailing Out Strategy to energise MAS performance.

During the session with YABhg. Tun, the topic of bailing out strategy has been discussed and YABhg. As of 2020, Khazanah Berhad and Malaysian Government have bailed out and energise MAS of RM28Billion with the highest bailed out of RM17Billion in 2014.

In the recent MAS issues, Khazanah Berhad as MAS main shareholder is reluctant to provide bail out MAS as requested by MAS management of another RM2billion.

During the session, YABhg. Tun agrees with the Khazanah Berhad choice not to bail out MAS. This is due to several MAS bail out plan initiated and after several years MAS performance dropped again. The company with strong governance and good performance management structure in place should not be in the same position for the several times continuously.

In this regards, YABhg. Tun has stressed his objectives that MAS must prove its sustainability first prior to bail out plan initiated by the Khazanah Berhad and Malaysia Government. This would mean that MAS must utilize its current available resources to best it can in soaring its performance management in the next few years.

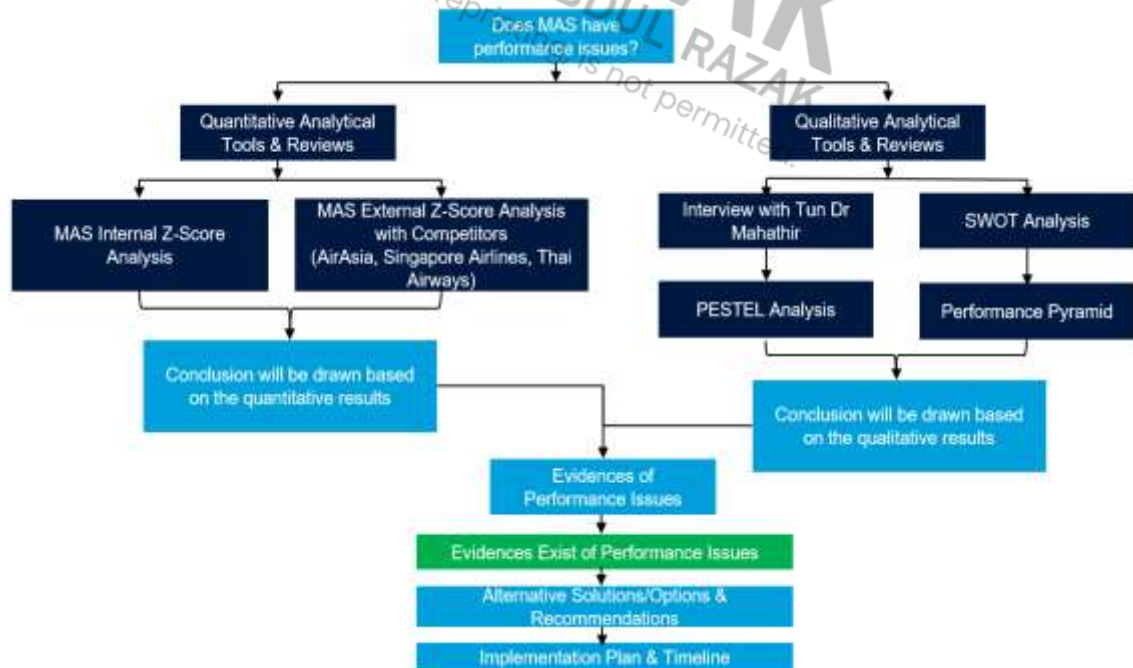


2.4 Performance Diagnosis

From the earlier section of recognition of problem of performance management issues at MAS, 2 perspectives have been tabled for discussion which are Z-Score benchmarking analysis tool and interview and discussion with Tun Dr. Mahathir (MAS prominent stakeholder).

Thus, the evidences have been gathered and conclusion is drawn that MAS is showing significant amount of evidences that MAS is having significant performance issues. In this part of the case study, the detail analysis on the root causes of MAS performance management issues is being considered and investigated in detail.

Furthermore, in the next sub-sections, the discussion will be look at these problems in details as per diagram below and additionally what are the alternative solutions or options and recommendations which can be drawn to MAS. Lastly, suggested implementation plan and timeline will be spelled out on how MAS could move forward in resolving the performance management issues and be sustainable in the long term.



2.4.1 MAS Management Risks Attitudes

MAS Management risks attitudes which can be considered as risks seeker whom are seeking to maximise return from maximum risks. This can be seen when MAS Management took a strategy to purchase units of A380 , a huge airplane without considering how to utilize to recover the costs in detail.

This risks seeker attitudes with some blind spot on the market and competition has led MAS to take a wrong decision for 10 years of holding 6 units of A380. This has in turn contributed to bigger impacts of cost overrun of MAS.

MAS Management risks attitudes should be changed towards minimize maximum opportunity loss in the market in positioning MAS to a better market position in relative to its competitors.

2.4.2 MAS Performance controlling function breakdown

The weaknesses of MAS performance controlling function has made less susceptible to increase market shares despite increase in visitors arrival in Malaysia as per the booming of global and China tourism in Malaysia.

Furthermore, the claimed that political influences that distorted MAS performance management as most of the contracts are being recommended by politicians which undermined the MAS internal strength to choose its own suppliers has led to another negative impacts to MAS in the longer term. If the strength internal performance management structure of MAS was in placed, this repercussion can be mitigated.

Additionally, MAS is seen to change its objectives and focus areas from quality of services to volume increase and prioritizing stakeholders' interests over the four turbulence periods, however, the results do not depict the shift of the objectives and focus areas.

2.4.3 Stakeholders Power Interest Matrix & Their Influences

MAS is seen as weak in managing its stakeholders power interest matrix and their influences at appropriate level.

MAS has taken several employees retrenchment strategy on the claim that it is having high overhead costs in relative to the competitors. Thus this retrenchment strategy has led to non favourable image of MAS in managing its employees and lead to poor quality of services over time. Employees are persons whom are having high interests on MAS but with low power to influence the strategic decisions on MAS.

Khazanah Nasional Berhad and Malaysia Government are the two main prominent shareholders and stakeholders of MAS, whereby they have high power and high interest towards MAS performance strategy. As of 2020, MAS has been bailed out by these two shareholders and stakeholders by RM28 Billion. Additionally due to lack of management of these stakeholders power and interest and the influence implications have led MAS unable to secure another bail out strategy. According to these two power and interest to MAS, both of them should be made known via closer engagements in addressing any performance management issues of MAS.

Furthermore, excessive care of suppliers over MAS internal interests and strategy due to political reasons as claimed, made MAS having to bear unnecessarily high overhead costs and less flexible to improve its performance management.

2.5 Alternative Solutions/Options

In this part of the case study, we will further identify and analyse the possible and feasible alternative solutions or options for MAS in improving its performance management structure and mitigate any related issues.

2.5.1 Business Process Re-Engineering

The focus on the possible Business Process Re-Engineering in MAS functional departments or processes. However, as per performance pyramid analysis performed earlier, it has indicated the level of business and performance hierarchy of MAS.

Based on the cost management issues of MAS whereby overhead costs exceeding revenue in relative to Singapore Airlines and AirAsia. This would mean there are some processes that MAS adopted should be reviewed and reduce non value added resources and over staffing issues of MAS.

One of the business processes should be reviewed and improved is tendering management process which should be independent and act for MAS best interests and not other parties influences.

2.5.2 Cost Controlling Function

As seen from earlier section that MAS is showing indicators of cost overrun over the years. This has shown a weak cost management approach by MAS.

Higher staffs costs and other fixed long term contractual agreement with suppliers in food and beverages and other ground handling costs have led to soaring of costs which MAS unable to recover by its sales revenue.

Due to the cost sensitive industry and operation, the cost controlling must be tightly monitored and evaluated regularly and any gaps to be address instantly.

2.5.3 Strategic and Operational Controlling Function

The concept of “what gets measured gets done” remain controversial in MAS due to its poor continuous financial standing.

This method is an additional measure of cost controlling to address all spectrum of performance measurement areas as a whole and how best MAS achieving its desired objectives.

2.6 Evaluation Of Alternative Solutions/Options

Based on the general alternative solutions and options to MAS as per section 2.4, we can conclude that:-

a) Business Process Re-Engineering

Business Process Re-Engineering will enable MAS to address non value added processes and activities which should be reduced to control its cost.

Among activities or processed that MAS could consider for Business Process Re-Engineering are :

- The tendering management must be lean to have more win-win situation for MAS and the contract must be in parallel to MAS capacity rate of a flight as opposed to the current practice of 100% capacity from suppliers contract even MAS is only having 70% capacity rate.

- Ground handling works should be outsourced to the ground handling company which is handled by Malaysia Airports Berhad to have better cost management with the conditions that the service quality must be in parallel to MAS quality objectives.
- Furthermore, no long term fuel contract should be signed by with the suppliers at hedged contract value because the oil price fluctuated downside and should be capped or hedged at win-win situation by both supplier and MAS. This contract should be reviewed in a lean strategy to MAS.

b) Cost Controlling Function

The improvement in cost controlling function is a key to MAS financial performance based on the earlier section shown that MAS is facing long term cost overrun for several number of years in relative to other competitors in the market such as Singapore Airlines and AirAsia.

AirAsia which operates in low-cost segment has able to control its cost despite high overhead industry. This indicates on the possibility of MAS to strengthen its cost controlling function and review the cost structure on every flights, routes and recoverability of revenue for every flights and routes.

Currently the cost controlling function is sidelined with Accounting function which is a distant away from business. Restructuring cost controlling function and converting the cost controllers to be business partners to the operational management will lead to MAS transformation in addressing its cost management issues.

c) Strategic And Operation Controlling Function

This will be a holistic approach for MAS to adopt in measuring and managing its financial and business performance holistically as it will look into inter-departmental performance, Value chain process performance, financial performance and also external effectiveness to the business environment.

Currently, it can be seen in the earlier sections that MAS has changed its objectives and focus areas several times from quality focus in 1995 to 1997 to volume focus in 2000 to 2002 and subsequently to focus and meet all stakeholders needs in 2013 to 2015 and ended up at internal focus of proudly Malaysian fly Malaysia.

With these changes took place, MAS structure was not lean and flexible to have alignment from strategic management level to operational level, this has created mis-alignment of all level of management expectation in MAS. Subsequently, the results are not portraying the strategic change and shift carried by MAS, which resulted to cost overrun and shrinking market share.

MAS should and have to strengthen its strategic and operation controlling function which are looking and measuring the key performance indicators of all departments in the real time and not just wait and see during internal audit and external audit annual exercise which will be historical performance data rather than fixing it when issues arises.

With the Khazanah Berhad and Malaysia Government intention not to inject additional bailout fund to MAS prior to MAS proving it can perform with the current resources and addressing any external and internal issues that have distorted its performance management. This would mean progressing to a better performance management milestone to MAS is a key for future sustainability.

Performance	1995 – 1997	2000 - 2002	2013 - 2015	2018 - 2020
Indicators (Average 3-Year)	Asian Financial Crisis	Restructuring and Sign of Recoverability	MH 17 & MH 370 Incidents	COVID-19 Impacts
Objectives Focus	Quality Focus	Market share and Volume focus	Quality, Employees and shareholders, Customer Satisfaction and internal business process focus	Proudly Malaysian Fly Malaysia.
Average 3-Year Sales Revenue	RM5.7 Billion	RM8.5 Billion	RM 12.6 Billion	RM 6.9 Billion
Average 3-Year Operating Costs	RM5.4 Billion	RM8.9 Billion	RM15.4 Billion	RM 8.9 Billion
Average 3-Year Profit/(Loss)	Profit RM250 Million	Loss RM 490 Million	Loss RM 2.7 Billion	Loss RM1.6 Billion

2.7 Recommendation

The recommendation is to address and resolve the performance management issues at MAS is by understanding and addressing the structure and internal system deficiencies that lead to performance management issues of MAS for several years in the past.

Among measures can be taken by MAS are by :-

a) Develop strategic and operation controlling function

By considering the controller in this function as a business partner to top management and also to operational management in looking at bigger picture and holistic approach, this will assist the managements in making best strategic decision making that will benefits the company in the long run.

Having integrated view of finance and cost, strategy, operations, customer service, fleet utilisation, marketing, procurement or suppliers issues , competition and etc are key for MAS in managing its performance issues and at the same time will help to turnaround MAS business performance.

b) Split the business by regional segments (Business By Regional Segmentation)

By splitting the business by regional segments it will give management of MAS a better view on which regions or countries or routes are profitable and high opportunities to be cash cow for MAS.

Further it will address the risky regions or countries or routes which MAS should look into and devise it strategy accordingly for future business profitability and gaining market share.

This is to address the weakness of MAS ceases its flight route to several profitable routes to Frankfurt, Vienna , Zurich and etc. Even with the cessation of official

flight, MAS took initiative to enter into a joint venture route and act as a carrier partner to Qatar Airways, Turkis Airlines, British Airlines to these profitable routes such as Frankfurt, Vienna , Zurich and etc. The current strategy is perceived as not well controlled for MAS future sustainability.

- c) Close view on the business units which are considered as cost centre, profit centre and investment centre.

By having this view on which business units performance as per their centre allocation which are either cost centre, profit centre or investment centre will help MAS to measure their performance and devise its strategy accordingly.

MAS cost management issues and business process re-engineering will be in a best implementation strategy if this can be aligned with business units view, cost centre view, profit centre view of MAS.

- d) Quarterly Country Evaluation

This exercise should be adopted by MAS in managing its business performance as per new strategic and operational controlling function set up.

This will address and identify which countries need a push to perform better and which country already perform as expected and what can done more to ensure sustainability of business performance.

This is for MAS to increase its market share domestically, regionally and internationally.

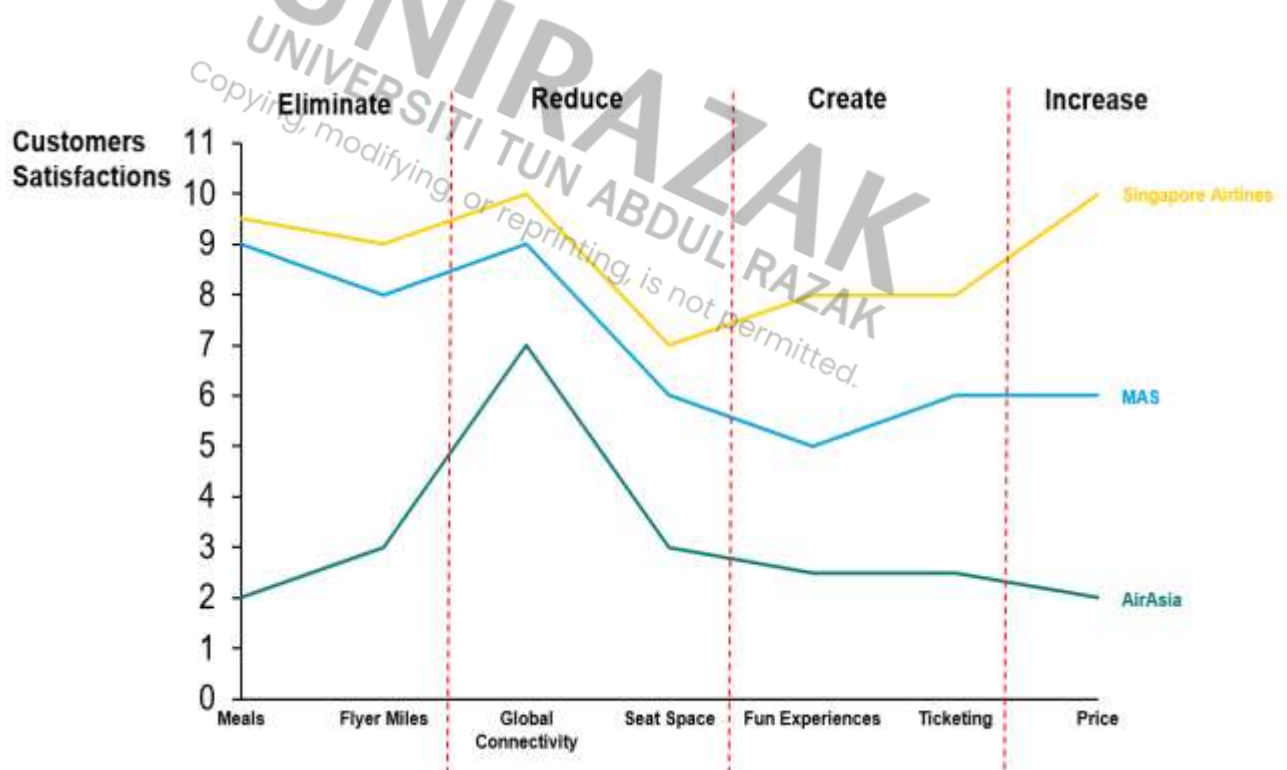
e) Measuring Action Plan in Quarterly Basis

This will help MAS in monitoring its planning and strategic direction either it goes to the expected direction or any deviations need to be rectified and closed.

The regular quarterly review of action plan against its target will lead to a better performance management of MAS to achieve its desired objectives.

f) Measuring Value Innovation Analysis

The chart below has been developed, presented and discussed among the participants of The Strategic Management For Global Markets Programme (Harris Manchester College, University of Oxford, 10th to 16th September 2023), which included the writer of this project paper, Wan Mohd Pairus Bin Wan Hussin.



Based on the chart, MAS should look at four phases of strategies in measuring the value innovation of MAS in relative to its competitors cited in this paper which are Singapore Airlines and AirAsia.

i. Eliminate

MAS should consider eliminating its high overhead costs on its sole provider of in-flight catering which currently signed with Berahim Food with the 25 years of contractual agreement. This step has been considered by MAS.

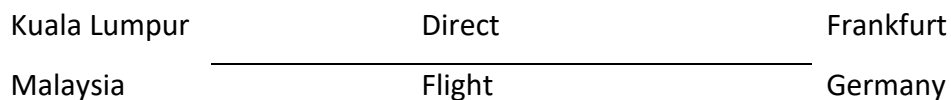
Flyer Miles should be revisit and eliminate its high dependency of main sole outsourced company in maintaining its customer database. Flyer Miles should be handled in house with the collaboration of Big Data Innovation, Tools and Strategies.

ii.Reduce

MAS should consider to reduce its global connectivity directly operated by MAS to not so profitable route. This would not mean that MAS should abandon the market share in totality, however MAS should widen its collaboration strategies with other international airlines such as QATAR Airlines, Turkish Airlines, British Airlines and others which are currently operated under the agreement of One World Partner.

This can be illustrated as below :-

Previous Strategy:-



Revisit the Strategy to :-

Kuala Lumpur	_____	Doha	_____	Frankfurt
Malaysia		Qatar		Germany

This revisiting of strategy in maintaining the connectivity by One World umbrella with other international airlines collaboration will assist MAS in reducing its overhead costs in the event of under-capacity of passengers in the flight and at the same time securing the market share of the route.

iii. Create

MAS should create more value towards its fun experiences for all passengers whom are opting MAS flights in relative to the other competitors.

The creation of fun experiences such as collaborating with MAHB (Malaysia Airports Holding Berhad) whom is the operator of KLIA 1 (Kuala Lumpur International Airport 1) to build a playground in the departure hall for all family travelers to utilize them while waiting for departure. All MAS passengers will have free access for the playground will waiting for the departure. This approach will assist to create fun experiences more.

Furthermore, the current online ticketing experiences should be revisited and improved due to its lesser user friendly in relative to Singapore Airlines and AirAsia.

Finally, the on-counter ticketing experiences should be revisited and improved to cater for all passengers whom are having more luggage weights than instructed. This will enable them to purchase additional weights at their conveniences during the physical check in and baggage drop. There were few incidences which MAS did not do well in this performance area.

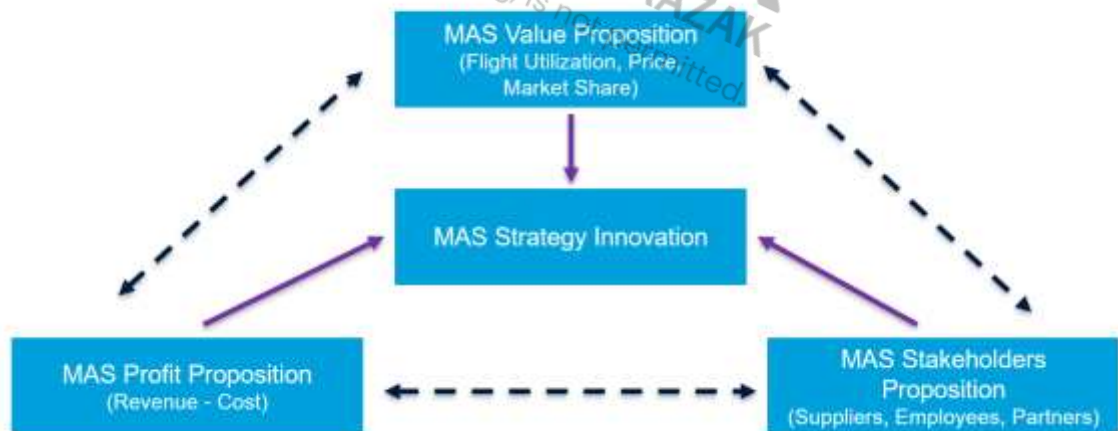
iv. Increase & Price Elasticity

In this section, MAS should equate and/or increase the price to the quality provided to the customers or passengers of its flights.

The pricing strategy should always be at higher end to equate to MAS premium quality market share and at the same time it should also be elastic in relative to the economic situations and other competitors pricing.

Thus MAS should invest and initiated the pricing strategy and elasticity in securing and gaining more market shares.

The above performance strategies to eliminate, reduce, create and increase several performance metrics for MAS such as Meals, Flyer Miles, Global Connectivity, Seat Space, Fun Experiences, Ticketing and Price should be consistently measured and rectified for corrective actions. This approach will lead towards meeting the criteria for MAS successful strategy innovation as per model adapted from INSEAD Blue Ocean Strategy Institute 2013.



2.8 Implementation Plan

The performance turnaround plan should be implemented to achieve the expected outcome for MAS.

Among measures to be carried on this implementation plan are:-

- a) Review its cost structure and benchmarking with other airlines in details such as Singapore Airlines, AirAsia and Thai Airways. The result of the benchmarking exercise will lead to better insights of external outlook for MAS performance management in the market and industry.
- b) Restructuring its business by regional segmentation, business units, profit centre, cost centre and investment centre. This will help MAS in identifying high overheads costs of the business in a lean way and enable further business re-engineering to be implemented accordingly.
- c) Developing appropriate performance indicators to the regional segmentation, business units, profit centre, costs centre and investment centre. This is critical in aligning all of the regional segmentation, business units, profit and cost centre to the desired objectives and focus areas which ultimately lead to MAS long term financial performance sustainability.
- d) Recruiting the best talents outside or inside the industry as enablers or agents of change for MAS turnaround.
- e) Continuously measuring the performance and addressing any expectation gaps with necessary action to resolve the issues.
- f) Instilling value chain mindset and performance improvement mindset by instilling value chain mindset in the MAS workforce.

- g) To monitor the MAS performance continuously via internal benchmarking to previous year performance, withing countries or business units performance and also with MAS competitors which could be either in premium business segment or low cost business segment.

2.8.1 Timeline for Implementation Plan

Due to several external factors which impacting the global economy such as global recovery from COVID-19 impacts, MAS would require at least 5 years in turnaround its performance from poor financial standing to excellent financial standing.

The first year, will be about identifying issues and addressing the core problems of MAS such as cost overrun, quality issues and shrinking market shares. This is carried by performing external benchmarking to other airlines such as Singapore Airlines, AirAsia and Thai Airways.

The second year would be a restructuring exercise from strategic level to tactical level and also operational level. This includes addressing the core objectives and focus areas at each level in MAS. Additionally recruiting external best talent to drive this should be in this point of time.

In the third year, the first performance management evaluation should be exercised in managing cost overrun, reduce non value added activities and resources and at the same time capturing the lost market share in the past years.

In the fourth year, with expected good result of financial standing, MAS may be able to request for another sum of injection from its shareholders , Khazanah Nasional Berhad and Malaysia Government to improve its performance further.

In the fifth year, MAS performance should be inline with other best Airlines performance such as Singapore Airlines.

The timeline for this implementation plan is within 2 years for solid result on the improvement plan.

The result after the 2nd year to 5th year will show that MAS is climbing to its golden age position once again. In this stage MAS will perform better than its previous years performance and also to its other competitors.



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INSEAD Blue Ocean Strategy Institute 2013

Sessions with YABhg. Tun Dr. Mahathir Bin Mohammad, 2022 & 2023

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BIODATA OF SOURCE OF REFERENCE

1. Tun Dr Mahathir Mohammad

Tun Dr Mahathir is a Malaysian statesman who served as the 4th and 7th Prime Minister of Malaysia from July 1981 to October 2003 and again from May 2018 to March 2020. He is a prominent stakeholders to MAS establishment and performance.


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APPROVAL PAGE

**TITLE OF PROJECT: A CASE STUDY OF PERFORMANCE ISSUES IN
MALAYSIA AIRLINES BERHAD**

NAME OF AUTHOR: WAN MOHD PAIRUS BIN WAN HUSSIN

The undersigned is pleased to certify that the above candidate has fulfilled the condition of the project paper prepared in the partial fulfilment for the award of the degree of Master of Business Administration.

SUPERVISOR

Signature : _____
Name
Date :



ENDORSED BY:

Dean
Graduate School of Business
Date: