



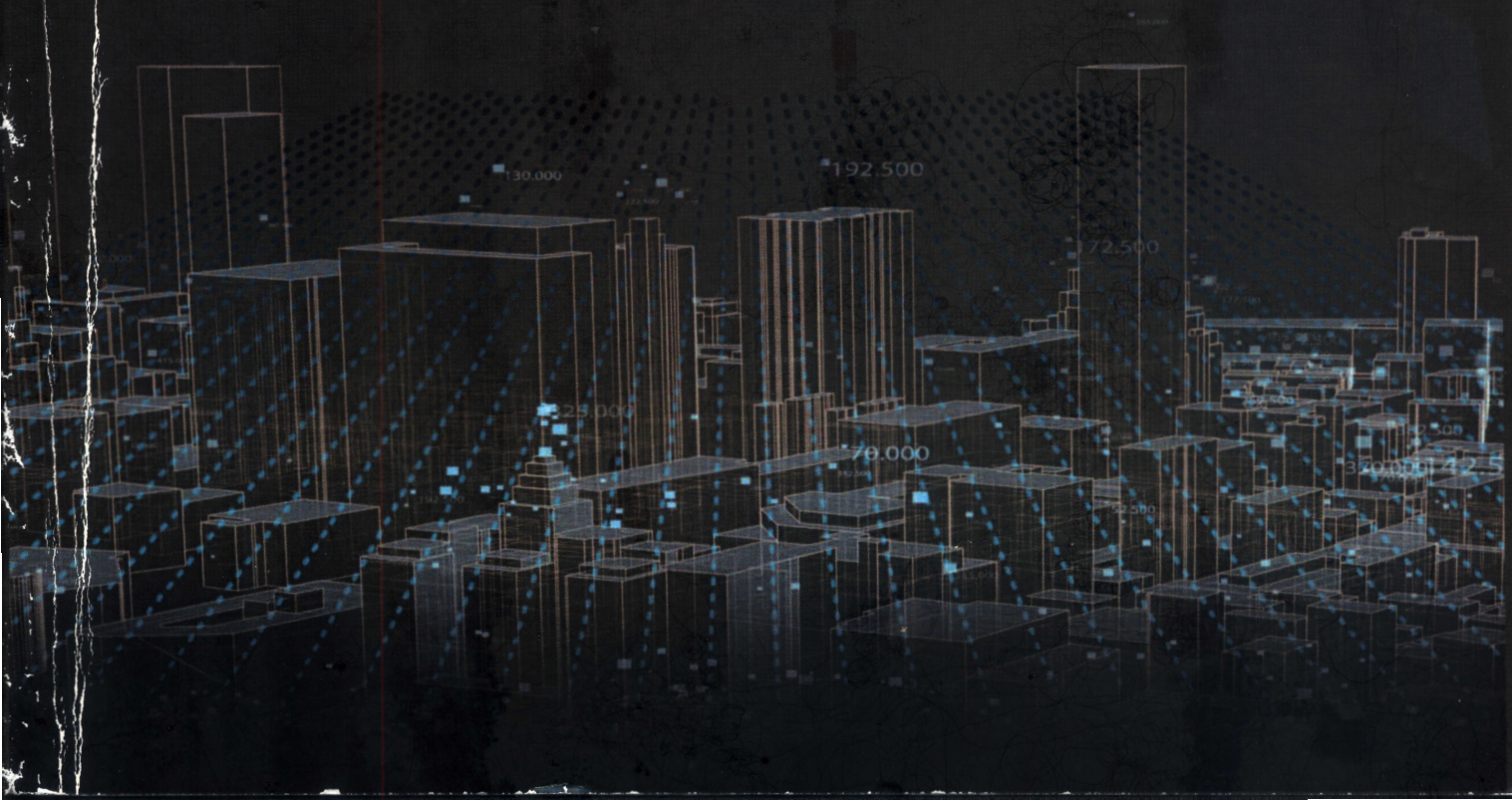
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PROCEEDING
PROPERTY TALK 2021
INDUSTRIAL REVOLUTION 4.0 IN MALAYSIAN PROPERTY



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HOUSING AND LOCAL GOVERNMENT TRAINING INSTITUTE
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RISK MANAGEMENT IN THE AIRLINE INDUSTRY

Shahrul Anuar Bin Daud¹, Sr. Dr. Maszuwita Abdul Wahab²

^{1,2}Department of Estate Management Studies, Faculty of Architecture, Planning and Surveying, UiTM Shah Alam

Abstract

Airline is one of property that very much exposed to risk. The airlines industry has to take seriously on the customer side to give better services and management. Malaysia Airlines (MAS) recorded the highest complaint followed AirAsia and Malindo Air. Risk management is a crucial part in managing activity and a major factor to define the success of a project by handling any risk. Therefore, Airlines is very much focused lately during the pandemic of Covid-19. The aim of this study is to provide an overview on the risk management in airlines industry in Malaysia in terms of technology and people that experienced by the consumer of the airline. Therefore, the awareness of risk management is important to create the effectiveness and efficiencies of the organizations.

Keywords: Airlines Management, Risk Management, Hazardous Event

1.0 INTRODUCTION

In the era of globalization, air transportation is one of essential transportation for international tourism and travelling business all around the world. Airline industry is highly opened to the unpredictable risk than other transportation out there. Risk management is one of the process of that can accessing, identifying and controlling threats to an organization earnings and capital (Margaret Rouse, 2019). Risk management in the airline industry is crucial which can help to cope the possible hazard or risk from happen and in order to give the safest and comfort travel service to passengers and prevent losses in capital. According to Cory Mitchell, implementing only 1 percent risk rule in risk management can keep capital losses to a minimum (Mitchell, 2018).

Airline industry is one of the properties which create and generate flow of income to the economic. In the way to have a good airline industry, there must have a great property and must have a quality airport which part of airline industry. Airport as an integral to airlines as it provides facilities such as runway, handling facilities and cargo facilities which necessary for airlines to conduct their business. Without airport or property of airline, how the people or customer to have the facilities and perceived the services. According to the International Air Transport Association (IATA), the net profit earns in global airline industry will projected to record an increase of 13 percent of 29.3 billion in 2020 compared to 2019 which the net profit is only 25.9 billion (IATA, 2019). Malaysia also one of the countries which have a lot of demand and a dominant for international air travel. According to the OAG's Mega hubs International Index 2018, the KL International Airport (KLIA) was spotted as the most airport connected globally which ranked at 12th and the highest ratio of scheduled international connections to the number of destination served (The Star, 2018).

However, despite of the attraction perceived from commercial transportation, there are several of issues are find out within airline industry which is can give a risk. The issues in terms of safety of passenger is a main of business and for the property. Two accidents happen in Malaysia relating to MH370 and MH17 really give impact to the Malaysia Airline System Berhad (MAS). It is affected the level of satisfaction and confident of customer, profit and business performance of the property Malaysian Airline System Berhad (MAS). Besides, the issue also in term of passenger experience from the quality of services and management. Based on The Star, the top three complaint based on passenger experiences taking the airline

transportation is mishandled baggage, flight delays and refund (The Star, 2017). All these three complaints collect of 62.6 percent out of all total complaints gains from the consumer airline. Even all this particular complaint being a common issue, it really can bring to the risk if not have a proper solution.

This study seeks and to determine the risk alternatives and analysis been use in the risk management in the airline industry. This study also will be discussing an appropriate strategies and solution which can help to resolve the possible risk that might happen in airline industry to give a better improvement in services. By conducting this study, the information and result can be used as for a better understanding to other researcher about risk management in airline industry.

2.0 LITERATURE REVIEW

2.1 Risk

The risks that experienced in daily activities are quite different from those involved with flying. In terms of managing risks requires an established standards and conscious effort. Referring to (Aven, 2011), the risk is likely to carry an element of subjectivity of actions, events, and outcomes according to what it is applied and upon the nature of the risk.

2.2 Hazard

According to (Nations, 2010), any source of potential harm, damage or adverse health effect on someone or something can cause of a hazard. The hazard such as safety hazard, chemical hazard and biological hazard. Safety hazard is a harm that can cause immediate accidents and injuries (Awareness & Unit, 2010). Safety hazards encompass overall type of substance, condition or object that can injure workers (OSHA, 2011). Chemical hazard is a form of chemical like solid, liquid, vapours, fumes, gases and particulate material that exposed to the environment (Gislason, 2018). Biological hazard are bacteria, living things, insects or viruses which can cause symptom like allergies and respiratory infections. This biological hazard may give body diseases such as AIDS, Lyme HIV, hepatitis disease and tuberculosis (Awareness & Unit, 2010).

2.3 Risk Management

Risk management is a crucial part in managing activity and a major factor to define the success of a project by handling any risk. According to Darmawi (2005), risk management is a process of finding, controlling and analysing of each activity of the company that can cause risk in order to obtain higher of efficiency and effectiveness. Risk management includes all activities that enable the probability of risk occurring or its effect to be eliminated or reduced to an acceptable level (Péter Pálinkás, 2011). Risk management refers to methods, supporting and strategies tools in the organization that been used to control and identify risk to an acceptable level (Bekefi, Epstein, & Yuthas, 2008). In accordance with ISO 31000:2009 (Risk management: principles and guidelines), risk management refers to the coordinated set of activities and methods that used in organization and to control any type of risk, whatever its nature, whether having two level either positive or negative consequences to achieve of overall objective (The International Organization for Standardization, 2009). Based on the previous study, the risk management can allows the organization to make a decision-maker, make more understanding of the risks and prepare the necessary plan that can reduce their impact and prevent the disasters from occur (Ennouri, 2013). He also added that the process in risk management is executed in four steps which are risk identification, risk assessment, risk management and risk monitoring.

2.4 People

Customer satisfaction and human behaviour is known and seen as the important part of product and factors in the airline industry. Good services and passenger satisfaction by air businesses is one of the greatest impact on the competitive environment and to lock customer loyalty. There are many factors that can help an airport to build its passenger service, customer base, and satisfaction which can determine the success of entire operation (Bhuvanewaran, Venkatasamy, & Ramarajan, 2018).

2.5 Technology

Most of the flight operator are using new technology to cut their emissions and optimize their routes (Ian Herbert, 2017). For example, one of the airline services known as Emirates is using technology that can optimizes routes for the emissions, saving fuel and prevailing weather. Development in the latest Internet technology becomes more widespread and has create challenges for security and monitoring in airline (IATA, 2018). In addition, the airline industry also has fostered a dependency on technology for the promotional product in the way of fares (Buhalis, 2004). He also states that technology has the ability to boost airline sales and generate income at the expense with their competitors. Hansman (2005) claims that information technology (IT) was used in the business to increase airline revenue through computerized yield management system which more sophisticated.

3.0 RESEARCH METHODOLOGY

In this research, the research design use in this paper is quantitative research approach using random sampling method for the selection of the population. The random sampling was used to the respondents are mostly students from Sabah and Sarawak which pursue their studies in Semenanjung and people which have travel abroad. The random sampling has been used to this research are because of now days many people or students traveling and experienced many airlines. The researcher will obtain answer and opinion from questionnaire that distribute to 31 respondents and it will take around 15 to 25 minutes only through Google Forms.

4.0 RESULTS AND DISCUSSION

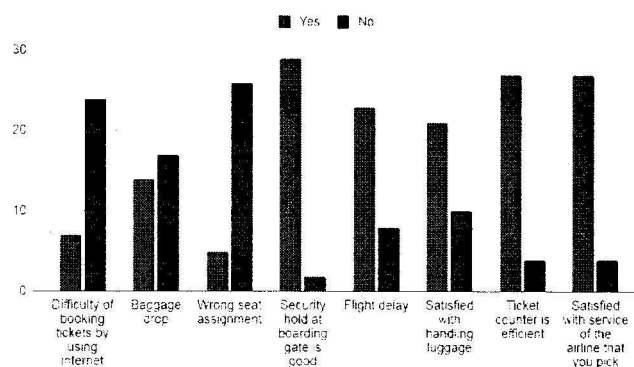


Figure 1: Risk experienced by user in airline

Source: UTM Shah Alam, 2020

The percentage of risk experienced by user can be one of the risk assessments under risk management process. The percentage or risk experienced by user can be a tool for company airline to monitoring the risk management. The most risk that must be taken seriously by the company is the flight delay and baggage drop. The flight delay collects a majority of yes with 23 respondents (74.2%) followed by the baggage drop in airlines with 14 respondents (45.2%). This result showed that the researcher has achieved the objective which is the most risk happens in airline are flight delays and baggage drop. The technology such as handling bag or other SST technology for check-in or booking ticket will be affect the whole business or airline. According to Ambrus adapted from previous study, he mentioned the using of technology or influencing the variety of SST choices the airline industry can determine the satisfaction of both airlines and the customers (Drennen, 2011).

Besides, flight delays and cancellations also can affect both air carriers and passengers. According to Sternber, delays also jeopardize airlines marketing strategies, since carriers rely on customers' loyalty to support their frequent-flyer programs and the consumer's choice is also affected by reliable performance (Sternberg, Soares, Carvalho, & Ogasawara, 2017). This can give a huge impact toward airline and the company must take the further action to prevent or find any solutions that can settle down of this complaint and bad experienced that mostly happens towards their customer. The Airline might can improve the service of SST Technology and understand and managed well the entire flight ecosystem and database to reduce the flight delays.

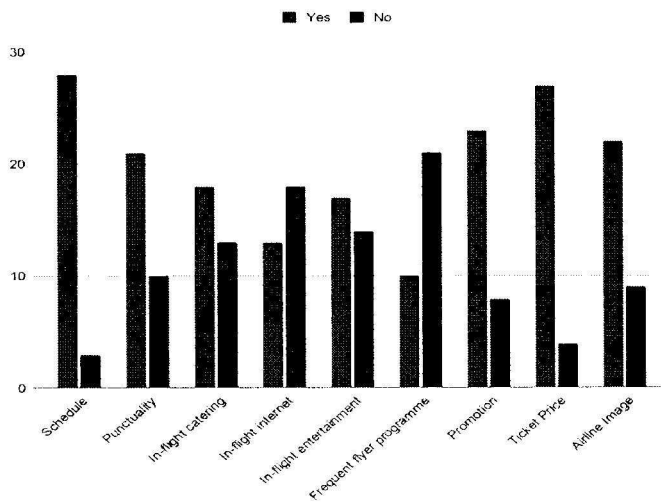


Figure 2: Factor of user choosing airlines

Source: UTM Shah Alam, 2020

The last findings of this research are the factors of users choosing Airline. The study found that the majority of the respondents choosing Airlines were in the schedule recorded the highest with 28 respondents (90.3%) followed by ticket price with 27 respondents (87.1%), promotion with 23 respondents (74.2%) and airline image with 22 respondents (71%). The schedule and ticket price is consider to be the two major factors involved in choosing an airline. These factors can help the company of Airline to analyse the strategy for the future as one of their tools in risk management by handling risk. The company can boost their business if they take seriously about the factors of choosing of airline and keep customer loyalty. The factors that not looking seriously were frequent flyer programme with 21 respondents (67.7%) followed by in-flight internet, in-flight entertainment and in-flight catering with 18, 14, 13 respondents or (58.1%), (45.2%) and (41.9%) respectively.

5.0 CONCLUSIONS

Risk Management provides opportunities for Airline Company to maintain and improve their business and potential to help reduce incidences and risk. The findings indicated that most of the respondents agree that the passenger exposes to the some of risk in airline. The majority of 23 respondents (74.2%) and 14 respondents (45.2%) agreed that the flight delays and baggage drop is a most risk occur. The airline company should take this variable seriously, otherwise it will lead to ineffective processes, which results in loss to the organization itself. In the long run the element may lead to the collapse of the organization.

The baggage drops and flight delays can be known as a risk identification which positively can bring problem to the company. The company can make a risk assessment to baggage drop and flight delays as a step for selection the suitable corrective actions or long-term solution. The risk management can be done based on selection tools of corrective strategy that has been choose. Lastly, risk monitoring which is monitor the risk by cope or reduce it by implemented of few planning, proper policies and procedures.

Besides, factors of users choosing Airline by customers has correlation and having a positive relationship with the objective which is the effect of risk management. If the company look out the factors very carefully, the company can determine the customer satisfaction factors towards chosen of airline. In other words, the relationship between the factors of choosing airline and effect of risk management is very important. Out of 7 factors, schedule, ticket price, airline image and promotions are the most factors of customer choosing airline with the majority respondents of the highest with 28 respondents (90.3%) followed by ticket price with 27 respondents (87.1%), promotion with 23 respondents (74.2%) and airline image with 22 respondents (71%).

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Sekian, terima kasih.

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