

MAS TURNAROUND FROM RED TO BLACK

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Abstract

Malaysia Airline has gone through the ups and downs throughout the half-century that made the company mature enough. Two major incidents in 2014 and the pandemic in 2019 were turbulences that forced the company to be creative and innovative in its pursuit of survival. This case study eventually explores the magical touch made by MAS leadership. It also demonstrates how the company sustained its businesses through rapid developments in a highly volatile, uncertain and dynamic environment. Another objective of the case is to assist students or readers in applying their understanding to develop a business turnaround strategy based on its internal and external agile environments.

Keywords: Turnaround strategy, Dynamic environment, Financial strategy

Prologue

MAB was already struggling financially with rising fuel costs, foreign exchange volatility, stiff competition, and a weak pricing strategy. Staging a recovery in an increasingly uncertain environment can be especially challenging. Nonetheless, MAB group CEO Captain Izham Ismail believes it can be done. (Cover Story: Another reboot – can Malaysia Airlines get it right this time? The Edge, May 2021)

Introduction

Malaysia Airlines originated in Singapore on 12 October 1937, known as Malayan Airways Limited. It was not until 1947, a decade later, that the airline flew its first commercial flight. After the formation of the Federation of Malaysia in 1963, the airline was renamed as Malaysian Airways. After Singapore's separation from Malaysia in 1965, the airline's name was changed to Malaysia-Singapore Airlines before it ceased operation in 1972. Since then, both countries had agreed to establish own distinct flag carriers; namely Malaysian Airlines System (MAS) and Singapore Airlines.

In 1980s Malaysia has experienced substantial growth from the introduction of the Malaysian New Economic Policy (*Dasar Ekonomi Baru, DEB*) introduced by the second Prime Minister, Tun Abdul Razak. Owing to the economic boom in Malaysia during this period, MAS experienced substantial growth, and became the first airline in Southeast Asia to serve intercontinental flights to South America. Across a span of more than two decades, MAS has garnered numerous awards from the aviation industry, namely 'The World's 5-Star Airline' by

Skytrax multiple times and recognition from the World Travel Awards as 'Asia's Leading Airline'.

When the Asian Financial Crisis swept through the region, MAS like any other companies in Asia, found itself grappling with financial issues. The airline had already suffered five years of consecutive losses, forcing the airline to discontinue unprofitable routes. By 2003, MAS managed to recover and attained a measure of profitability. However, this progress was short-lived, as 2005 marked another challenging phase of financial difficulty for MAS due to escalating fuel prices, alongside increased handling and landing fees.

Under the leadership of Idris Jala, a pivotal transformation was launched in 2006 through the 'Business Turnaround Plan'. This marked a turning point for the airline. By 2007, the airline posted a remarkable profit, after a series of losses. The turnaround plan focused on route rationalisation and enhancements in MAS' operational system. However, the departure of Idris Jala from MAS marked a period of continued financial challenges for the airline. In 2011, a strategic move was initiated by the then CEO, Ahmad Jauhari Yahya, focusing on discontinuing unprofitable routes. Subsequently, in 2013, MAS recorded profits and became a member of the Oneworld Alliance.

It was in 2014 that MAS faced with their unfortunate events that caused them to sink deep in financial losses. That in the event of this turmoil, it was taken over by the state investment agency Khazanah Nasional Berhad through selective capital reduction and repayment exercise. Khazanah, who later became the sole ordinary shareholder of MAS, led the de-listing of MAS in August 2014¹ and appointed a new CEO, Christoph Muller to oversee the overhaul of MAS in the subsequent year.

In May 2016, Malaysia Airlines Berhad (MAB) had made announcement on the establishment of a new holding company, Malaysian Aviation Group (MAG). The new restructuring is expected to improve transparency and operational efficiency. Subsequently in October 2017, MAG announced their new CEO, Captain Izham Ismail who has been with MAS since 1979 as a pilot, replacing Peter Bellew, the incumbent CEO. Peter Bellew, who became MAS CEO in July 2016, left to serve for Ryanair, a low-cost carrier founded in Ireland. Prior being appointed as the CEO, Izham was the COO that was responsible for operations division, which includes flight and airport operations as well as engineering. Under the new streamlined management structure, the CEO would oversee the group's three business portfolio or three dedicated profit centres, namely airlines, loyalty and travel solutions, and aviation services.

What MAG aspires?

Malaysia Aviation Group (MAG) is the outcome of the comprehensive overhaul, where migration of the right-sized workforce, work practices and contracts into a new company housing the "new MAS"². In a similar vein, there were 12 elements of the Malaysia Recovery Plan over four main categories namely,

a) governance and financial framework,

¹ Khazanah Nasional (2014) Media Statement: Khazanah proposes to de-list Malaysia Airlines System Berhad (8 August 2014).

² Khazanah Nasional (2014) Media Statement: Khazanah announces 12-point MAS recovery plan (29 August 2014).

- b) operating business model,
- c) leadership and human capital, and
- d) regulatory and enabling environment.

The three knockouts

The Missing of MH370

The Malaysian Airlines flight 370, or better known as MH370 disappeared while on its course to Beijing from Kuala Lumpur on 8 March 2014. The Boeing 777 jet took off in the middle of the night at 12.41 am local time loaded with 227 passengers and 12 crew members. It should have reached Beijing in six hours' time. The majority of those on board were Chinese, 38 Malaysians and citizens of Indonesia, Australia, India, France, the United States, Iran, Ukraine, Canada, New Zealand, the Netherlands, Russia and Taiwan. Though all commercial jets are supposed to be always reachable, this was not the case for MH370. Seconds after it crossed into Vietnamese airspace, MH370 disappeared from the radar. All subsequent attempts to contact had reach to no avail. It was found that the plane had made an unscheduled sharp left turn, away from its planned flight path to Beijing and back toward the Malaysia Peninsula.

Initially, the search for the airliner had focused on the South China Sea. But later it was extended to the gigantic Indian Ocean, somewhere southwest of Australia and stretched across Asia until Turkmenistan, costing millions of dollars. It is said that the search for the passenger jet was the biggest in aviation history. The missing airliner had taken together to its grave, the mystery of what happened to the passengers as well as the crew on board. In 2018, the MH370 safety investigation team had come up with a report that gave no definitive answers or conclusions. The report said that there was no clear evidence for why the plane went off course, or what happened to the people onboard. For certain, the flight code will no longer be used as a mark for respect to those onboard the aircraft.

MH17 Tragedy – The Curse of Malaysia Airlines?

Concomitant to the mysterious vanishing of MH370, on July 17 of the same year as the MH370 incident; there was another unfortunate event with a MAS jetliner. A MH17 was tragically shot down while on the route from Amsterdam to Kuala Lumpur. The flight was brought down by a Russian-controlled forces over eastern Ukraine, killing all 283 passengers and 15 crew members on board. The wreckage from the aircraft fell in the vicinity of Grabovo, a village located near the border between Ukraine and Russia.

The repercussion of the MH17 crash extended beyond the realm of national sentiment. Malaysia Airlines, already contending with intense competition from AirAsia, the renowned Malaysian low-cost carrier, combined with the aftermath of the MH370 disappearance; had to face an immediate surge of flight cancellations following the MH17 catastrophe. This influx of cancellations severely bleeding the Malaysia Airlines' revenue, exacerbating an already precarious financial situation.

The Emergence of the Unknown – Covid-19 Pandemic

Just as the recovery momentum was rightly sought after the MH370 and MH17 tragedies, Malaysia Airlines faced a new and unparalleled challenge – the Covid-19 pandemic. The COVID-19 pandemic had a profound and unprecedented impact on the aviation industry worldwide, and MAS was not excluded.

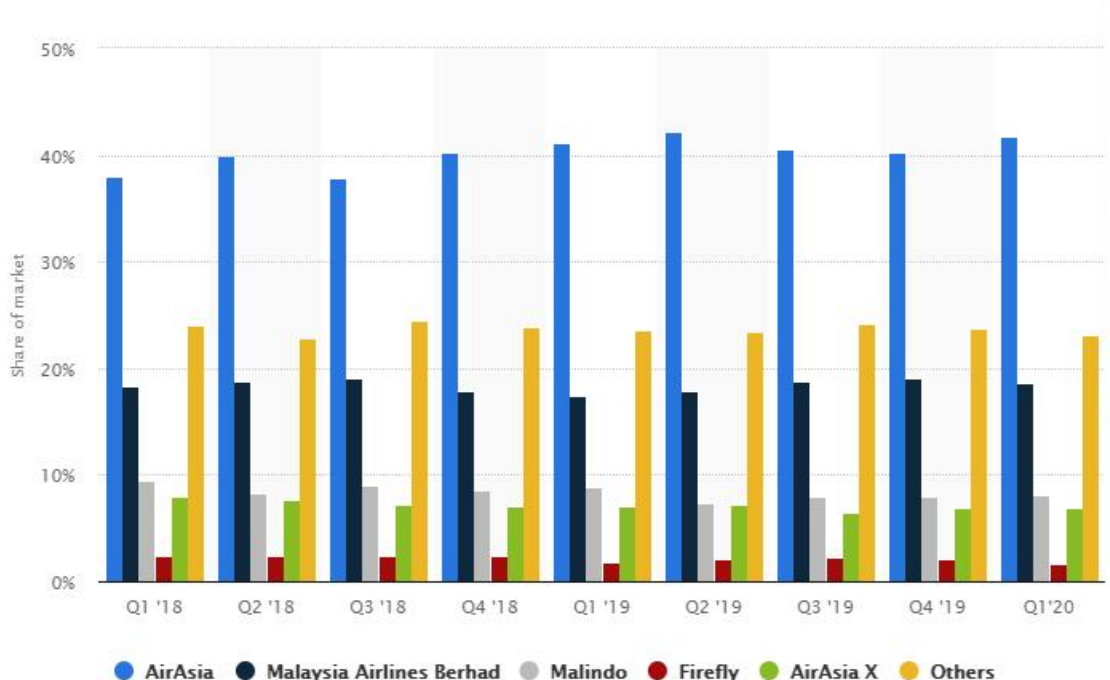
In December 2019, health authorities in Wuhan, China, began to identify cases of a novel and mysterious pneumonia-like illness. The illness was characterized by symptoms such as fever, cough, and difficulty breathing. The outbreak prompted widespread public health responses, including travel restrictions, quarantine measures, lockdowns, and efforts to develop vaccines and treatments. No one initially anticipated the far-reaching consequences of this illness would have on the world; leaving the world stood unprepared for the rapid escalation that followed. By February 2020, China had reported a concerning count on the number of infected cases: 40,261 confirmed, 23,589 suspected and 909 deaths (She et al., 2020).

As the number of cases continued to rise, many countries had initiated travel restrictions to contain its spread. In March 2020, the World Health Organization (WHO) formally characterized Covid-19 as a pandemic. This declaration triggered a sequence of swift responses worldwide. Eventually countries worldwide had imposed a lockdown where for the first time, we saw the world stood still. On 18 March 2020, Malaysia too responded with the implementation of Movement Control Order (MCO). The introduction of MCO profoundly impacted the aviation industry, leading Malaysia Airlines to suspend their operations and ground large parts of their fleets. In response to the MCO, Malaysia Airlines had downscaled its operations, implemented salary reductions, and extended unpaid leaves to more than 13,000 of its employees.

Aviation Landscape – Pre and Post Pandemic

Pre and during pandemic

Locally, the company is thriving to survive against other competitors. Based on Figure 1, Air Asia controlled majority of the market with its tag line of ‘Everyone can fly’.



Source: Reprinted from Statista.com

Figure 1. Multiple Airlines Performance (pre-pandemic)

The pandemic unfolded rapidly and had deep-reaching effects on various aspects of society, economies, and international relations. The impact of the bans imposed on inbound traffic

from/to China and Hong Kong during the early stages of the COVID-19 pandemic, and the prolonged borders closure caused much larger reduction in the Southeast Asia as compared to the international markets. The enormous impacts on airlines and airports were noted over the twenty-four months of the pandemic period between April 2020 to March 2022. Passenger revenues dropped to almost zero, huge amount of the unutilised bookings, laying off staff, renegotiating contracts with suppliers and aircraft lessors, as well as delaying capital expenditure. It was like no exits to the airline business. Government support was made available in some Southeast Asia countries and there were no major airlines were shut down due to pandemic Covid-19.

Post pandemic

Singapore evidently shown to be among the fastest recovering international market in Southeast Asia, with the international passenger traffic reaching 50% and 70% in June and December 2022 respectively. While Thailand's international passenger traffic only reached 70% in January and February 2023. The two largest international markets in Southeast Asia, with Singapore recovering faster than Thailand, the slower, as shown by data on passenger traffic in Figure 2. Domestic passenger traffic slowly improved further due to higher vaccination rates throughout 2021 and 2022.

**Passenger Traffic Recovery Rates for Large Airports in Southeast Asia,
Second, Third and Forth Quarter 2022**
(%)

Rank	Airport	International Q2 2022	International Q3 2022	International Q4 2022	Domestic Q2 2022	Domestic Q3 2022	Domestic Q4 2022
1.	Singapore Changi (SIN)	44	58	69	N/A	N/A	N/A
2.	Bangkok Suvarnabhumi (BKK)	26	44	57	99	101	99
3.	Kuala Lumpur International (KUL)	24	40	53	62	65	72
4.	Jakarta Soekarno-Hatta (CGK)	45	57	66	101	83	83
5.	Manila Ninoy Aquino (MNL)	39	53	61	96	108	101
6.	Bangkok Don Mueang (DMK)	6	20	32	56	62	75
7.	Ho Chi Minh Tan Son Nhat (SGN)	N/A	N/A	N/A	N/A	N/A	N/A
8.	Hanoi Noi Bai (HAN)	N/A	N/A	N/A	N/A	N/A	N/A
9.	Bali Denpasar Ngurah Rai (DPS)	19	45	58	88	77	79
10.	Phuket International (HKT)	26	31	49	65	69	81
11.	Surabaya Juanda (SUB)	34	49	73	82	68	69
12.	Da Nang International (DAD)	N/A	N/A	N/A	N/A	N/A	N/A
13.	Mactan-Cebu International (CEB)	11	18	28	60	68	75
14.	Chiang Mai International (CNX)	3	8	20	62	70	65

N/A = not applicable.

Notes:

1. Rank is based on total passenger traffic in 2019.
2. Bali, Jakarta, and Surabaya recovery figures are based on departing traffic only.
3. For all other airports, recovery figures are based on departing and arriving traffic combined.
4. Monthly or quarterly traffic is not available for airports in Viet Nam.

Figure 2. Passenger Traffic Recovery Rates for Large Airports in Southeast Asia.

In a broader context, Southeast Asia has been performing below the global average. Philippines and Vietnam were above the average. Whilst Indonesia, Malaysia and Thailand were below the global average. Beginning quarter 1 of 2023, the scheduled domestic seat capacity for Southeast Asia was nearly 90% recovered while 67% was recovered for the international seat capacity (Figure 3). The demand for air travel had started to increase at a gradual rate post pandemic, and rapidly recovered in the first 12 months of the endemic³

³ Endemic is a disease or a condition, regularly found and very common among a particular group or in a particular area.

phase. The commercial aviation industry in Southeast Asia is expected to recover by the end of 2023, for it to recover fully. However, among the limitations in the recovery stage were contributed by the limited fleet and manpower. Thus, to ensure successful recovery outcome, dialogues with the stakeholders and other aviation communities are crucial in offering possible recovery strategies.

**Scheduled Seat Capacity Recovery Rate and Capacity Share
for Southeast Asia's Top 10 Airline Groups, March 2023**
(%)

Rank	Airline Group	Number of Airlines	Capacity Share	Recovery Rate
1.	Lion	6	21	99
2.	AirAsia/AirAsia X	6	17	70
3.	Singapore Airlines	2	9	81
4.	VietJet	2	9	128
5.	Vietnam Airlines	3	8	106
6.	Garuda Indonesia	2	7	59
7.	Cebu Pacific	2	6	98
8.	Malaysia Airlines	3	5	85
9.	Philippine Airlines	2	5	87
10.	Thai Airways	2	4	56
Top 10 Total		30	90	84
Other Airlines			10	53
OVERALL TOTAL				80

Notes:

1. Ranking and share based on total seat capacity for all Southeast Asian airlines in March 2023.
2. Lion includes Lion Group and Super Air Jet, which is technically not part of Lion Group but is part of the Lion family of companies with similar ownership.
3. AirAsia includes AirAsia and AirAsia X Groups.
4. Singapore Airlines Group includes three airlines in 2019 (SilkAir was absorbed by Singapore Airlines in 2021).

Figure 3. Seat Capacity Recovery Rate and Capacity Share in Southeast Asia

Opportunities and Challenges

Emerging from the pandemic, the temporary absence of airlines from China for a period has created higher traffic on some other routes. Market opportunities are renewed through the establishment of a strategic partnership, building on the common membership in a particular alliance. Eventually, airlines that survived through the pandemic had found ways to be innovative in developing new approaches in operations, financing, and customer relations. Among the initiatives, was the increased airport automation to reduce high dependency on staff.

Surviving post-knockout effects

Delisting

Several changes had taken place to survive the turbulence that Malaysia Airlines were facing. Restructuring was the keyword. Fundamentally, the changes covered three distinct areas such as strategy, operational and financial.

Firstly, on 31 December 2014, Malaysia Airlines had delisted its shares from the Main market on Bursa Malaysia. With this move, the ownership has changed from a public company to a private limited company. The move was aligned to the strategy of securing more control over the operational matters of the company. Moreover, Khazanah being the main shareholder, wanted to revive the business through comprehensive overhaul. Officially, it took one year to wind down the publicly listed entity, MAS and restructure into new business entity as currently known as MAG.

Operationally, MAS restructured their routes, focusing on the popular ones, discontinuing the unprofitable routes. This initiative is practically the common measure to start with for effective cost cutting measure. Financially, to reduce costs further MAS had to lay off almost 6000 jobs. According to Khazanah Nasional Berhad who is the majority equity holders of MAS, announced that the job cuts will involve senior and non-union staffers⁴ of MAS. In March 2015, Khazanah had announced that MAS will issue employment termination letters with three months' notice to all its employees on June 1, instead of the earlier schedule of 1 April 2015. Malaysia Airline Berhad (MAB) will also issue employment offer letters to selected MAS employees on the same date. Followed by huge pay cut from 10% to 50% among the board, senior management and its executives' levels as to support lower levels.

Next move was instilling new culture for a performance-based outcome. Low productivity and high staff costs were some of the biggest problems MAS faced as a national carrier. To provide the best possible chance for a successful turnaround, the new company MAB will have its staff assessed based on their performance. It was reported that MAS had implemented a comprehensive talent assessment in February 2015, for its top 500 senior executives. The assessment included a three-hour behavioural interview with an independent consultant. Whilst for flight crew, they were expected to be interchangeable; such that the pilots were asked to switch between domestic and international flights.

Rebranding and Transformation

Secondly, to improve the confidence level of the public as well as boosting the morale of its employees, Malaysia Airlines System Berhad went for a massive restructuring and rebranding in 2014 under a new name known as Malaysia Aviation Group Berhad (henceforth known as MAG).

A new target operating model supervised by new senior leadership team with a reporting structure for under three dedicated profit centres was introduced in February. In the new leadership structure, the leadership team at the operating company (op-co) level continue to lead the Group, supported by the Chief Executive Officers in the respective profit centres. The details about the three business portfolios of Malaysian Aviation Berhad were explained in Figure 4.

New leadership

Most of the appointed leaderships' duties are supposed to return the airlines company into a profit-making entity. Some management changes were carried out in 2015. Christoph Mueller became the Managing Director and Group Chief Executive Officer (CEO) of MAS on 1 May 2015, replacing Ahmad Jauhari Yahya. Mueller also became the CEO of the new company Malaysia Airlines Berhad (MAB). Captain Izham Ismail took over as group CEO of Malaysia Airlines Berhad (MAS) in 2017, making him the fourth CEO of the country's flag carrier since the rebooting of Malaysian Airline System Bhd in 2014.

⁴ Malaysia Airlines System Employees' Union Peninsular Malaysia (Maseu) and the National Union of Flight Attendants (Nufam).

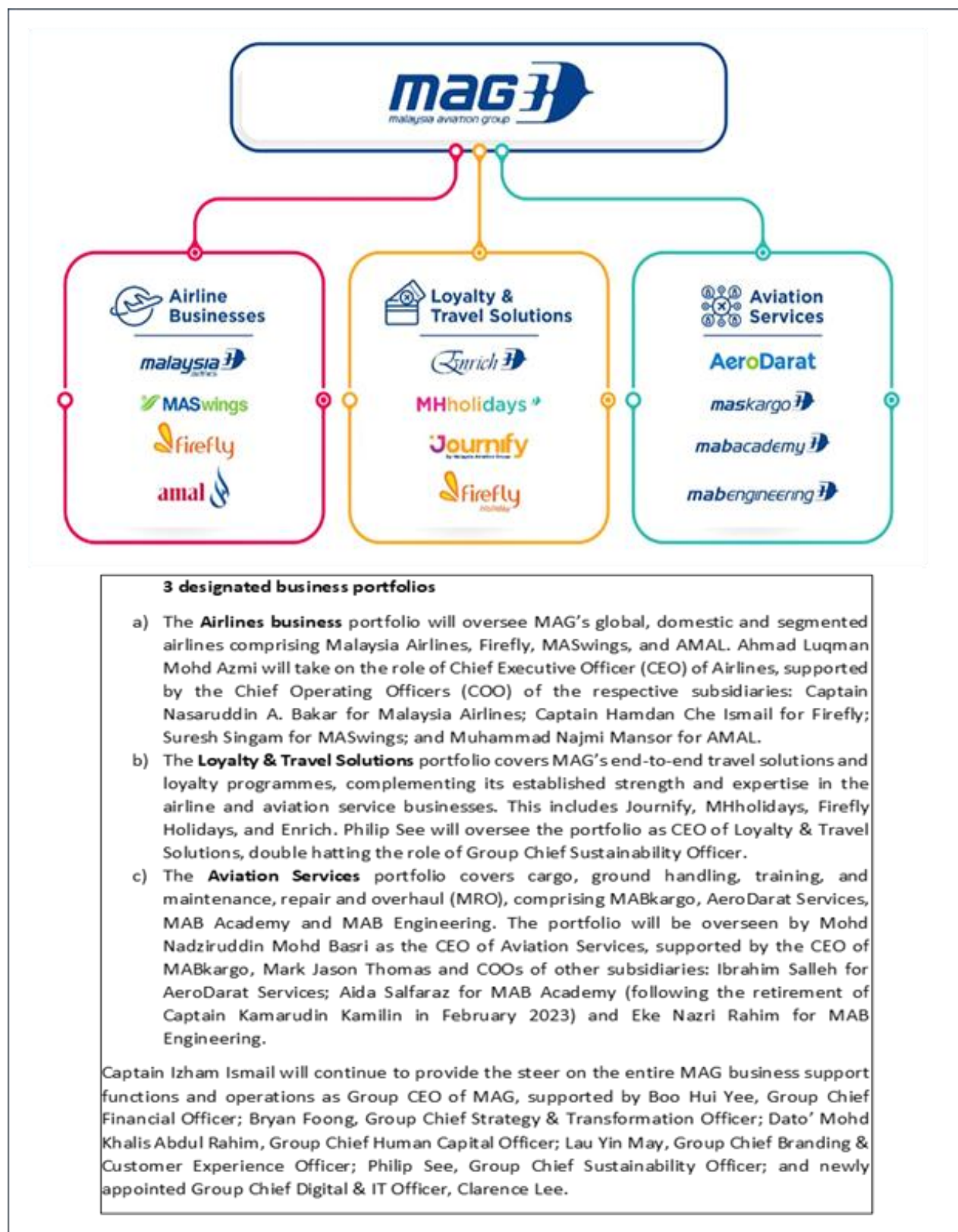


Figure 4. Business Portfolio of Malaysian Aviation Berhad

Two decades of turmoil

Malaysia Airlines timeline 2002-2019

2002: Accumulated losses from Asian financial crisis rise to RM2.2bn. A special purpose vehicle is set up to acquire debt
2006: Chief executive Idris Jala launches first business turnaround plan
2007: Posts net profit of RM851m after a series of losses since 2005
2009: Chief executive Azmil Zahrudin launches second business turnaround plan
2011: Reported annual losses of RM2.5bn are biggest in company's history. Share-swap plan with AirAsia floated but aborted because of union resistance
2014: The downing of flight MH17 and the disappearance of MH370. Nationalisation via wealth fund Khazanah and another turnaround plan launched
2015: Chief executive Christoph Mueller says airline is “technically bankrupt” — 6,000 employees laid off
2016: Ryanair executive Peter Bellew becomes third chief in two years
2017: Former pilot and long-time employee Izham Ismail takes over as chief executive
2019: Khazanah reports first loss since 2005 as result of Malaysia Airlines impairment costs

Source: Reprinted from The Struggle to Keep Malaysia Airlines Flying (p 9), by Siew, M. T., 2019, August 12, Malaysia. Financial Times.

Figure 5. Two decades of turmoil

To begin with, Captain Izham faced with the challenges of improving the mind set and environment of the organisation. The staff were demotivated, and the customers' experience satisfaction index had dropped. The restructuring and rebranding phase that took couple of years to be implemented, has finally shown light at the end of the tunnel. With the facelift and rebooting, staff morale has regained and there was a shift in commitment and culture. The staff stood in solidarity, the organisation was united, and customers received main attention. Gaps in services are reduced through revision of products which translated into positive results in the third and fourth quarter of 2018. The focus in 2019 was then moved to revenue, and 2019 was a good year as the company started to experience hockey stick growth in its revenue. MAS was no longer competing in the same market as low-cost competitors as it needs to be distinct as a premium airline. It made a 180° turn in the late second quarter of 2019 by focusing on the core premium market segment and turned RM800 million in passenger revenue.

The loss-making airline had been struggling to turn around amid a tough operating environment due to overcapacity in the marketplace and thin margins. The overcapacity happened even before the pandemic, the number of seats available in Malaysia was about 1.5 times more than demand and price need to be compromised. For instance, there were four flights to Penang which offered by Air Asia, Malindo, Firefly and MAS. Malaysia has a population of 32 million, but there were 37.5 million seats in the marketplace. Hence, Captain Izham believed that policy intervention by relevant authorities to solve the problems may be required in managing the market capacity.

Business Turnaround

From year 2002 until year 2021, Malaysia Airlines have had five CEOs with seven business turnaround strategies. Many of the strategies were focusing on financial targets except in Year 2008 under Business Transformation Plan 2 (BTP2) when the target was on making Malaysia Airlines a global champion and be recognised as the World's Five Star Value Carrier. Table 1: Malaysia Airlines' Turnaround Initiatives provides the details of the business turnaround theme.

Table 1: Malaysia Airlines' turnaround initiatives and changes in leadership

Malaysia Airlines' turnaround initiatives (2002 to present)			
YEAR	THEME	MANAGING DIRECTOR/CEO	TARGETS
2002	Widespread Asset Unbundling (WAU)	Tan Sri Md Nor Md Yusof	Transfer RM5 bil in assets and RM7 bil of debt to Penerbangan Malaysia Bhd
2006	Business Turnaround Plan (BTP 1)	Datuk Seri Idris Jala	Cut 6,000 jobs, focus on financial survival in 2006, profit generation in 2007 and profitable growth in 2008
2008	Business Transformation Plan 2 (BTP2)	Datuk Seri Idris Jala	Turn Malaysia Airlines into a global champion and be recognised as The World's Five-Star Value Carrier
2013	Business Turnaround Plan	Datuk Ahmad Jauhari Yahya	Break even by end-2014
2014	12-point MAS Recovery Plan (MRP)	Christoph Mueller	Cut 6,000 jobs, RM6 bil capital injection and to break even in 2018, achieve profitability and be listed in 2019
2019	Long Term Business Plan (LTBP 1.0)	Captain Izham Ismail	Achieve financial break-even by 2022
2021	Long Term Business Plan 2 (LTBP 2.0)	Captain Izham Ismail	RM3.6 billion capital injection and be profitable by 2023

THE EDGE

There were four major restructurings of MAS in the past. The first restructuring, in 2002, shifted the airline's debt to the government. The three subsequent plans, launched in 2011, were aimed at stemming losses including steps such as axing unprofitable routes. The recovery strategy in the business plan dated June 2012 exhorted to both 'win back customers' and 'relentless cost focus'. Financially, from 2007 to 2010, the company's average operating profit margin was 0.1 percent, meaning for every RM100 of the revenue generated a tenth of a cent profit. The financial woes were contributed from a combination of mismanagement, government interference, and a shortage of professionals to run the airline. At the time, the business was not well focused, staff morale was low, and the product for the target market segment and products were unclear. Malaysia Airline is neither low-cost carriers nor a luxury airline. Defining the airline as the core business is crucial as it is not like Qatar or Emirates that provide luxurious offerings or low-cost carriers that pack customers in a route. Currently, Malaysia Airline's value proposition is **Malaysia Hospitality (MH)** which to reflect kindness from one person to another that defines an airline as a nation and going extra mile on customer experience.

After the worst year in its 75-year history, the national airline carrier of Malaysia underwent a full reset. "The old company, known as Malaysia Airline System, migrated to a new organisation called Malaysia Aviation Berhad (MAB). Eventually, Covid-19 set the right opportunity for MAS to reset its business fundamentally. It started with the development of LTBP 1.0 in 2019. The move of restructuring plan in the post pandemic was crucial as it was to convince the creditors the capability of company to survive through the pandemic. In fact, the outcome of the LTBP 1.0 was a proof that the business plan was not just a tabletop exercise. In continuation to that, LTBP 2.0 mainly focused on the flexibility, safety and

security for the customers, as they want it to be premium but with low fares. The LTBP 2.0 entails a five-year plan through 2025 with the aim to be breakeven in 2023. Assuming the domestic and Asean markets to recover by the third quarter of 2022, and for international and inter-continental markets to recover by the third quarter 2024. Besides, the restructuring plan involves across the supply chain – aircraft manufacturers, spare parts producers, maintenance and repair operations, banks, caterers, and travel agents. The spirit of MAS is to ensure its sustainability. Any precarious shutdown of MAS would easily affect 200,000 people across the chain. Apparently, cost cutting strategy was the focus. From the total costs, 30 percent comprised of the jet fuel, aircraft leasing was about 25%, maintenance and engineering made up between 9 to 12 percent, staff cost was about 8% and cost of sales constituted 2.5%. MAS currently operates six (6) Airbus A350s, twenty-one (21) Airbus A330-200s/300s, forty-eight (48) B737-800s and six (6) A380s. Therefore, a comprehensive helicopter view analysis is crucial in gathering facts across the supply chain to develop the long-term planning for MAS.

Long Term Business Planning

LTBP 1.0 - 3 core

Customer,
People, and
Revenue

LTBP 2.0 - Five core pillars

enhancing its position as a premium carrier in Asia–Pacific;
recapturing the low-cost domestic market with the launch of sister airline Firefly at the start of 2021;
deepening partnerships with both airlines and non-airlines;
diversifying its revenue stream through avenues such as cargo and travel-related products;
and
transforming into a digital organisation,

Figure 6. MAG's Long term Business Planning 1.0 and 2.0

In the first quarter of 2023 Malaysia Airlines Berhad's parent company, Malaysia Aviation Group (MAG) is on its track to post its first annual profit in years after registering a net profit of RM 450 million as reported by the MAG group managing director Datuk Captain Izham Ismail.

- Record Net Profit After Interest and Tax of RM1.146bil in Q42022
- Net operating profit of RM556mil for full year 2022 with 2 consecutive quarters of operating profit
- 272% improvement in EBITDA at RM+1.61bil compared to +ve RM433mil a year ago
- Passenger traffic and capacity increased by 5.7X and 6.9X YoY
- Strong load factor of 81% in Q42022 and average load factor of 75% for 2022

Figure 7. Financial Performance for MAG in 4th Quarter 2022

Conclusion

The aviation industry was found to have important effects on sustaining the expansion of Malaysia's economy reflecting through the country's strategic location in Southeast Asia and its role as a major hub for national, regional and international connectivity. Hence, it is timely to revisit the latest approaches adopted by the new rebranding MAS. Would the new MAS able to deliver its value despite of all the challenges? Does the new leadership from home grown would eventually bring MAS to fly high again?

Epilogue

"But to be able to survive two immense tragedies like that, that takes some backbone, that's not normally something you'd have to deal with, and certainly in aviation its unprecedented of what we're having to do here. I can't think of a business in my lifetime... that's come back from the depths of the difficulties." (Mr Peter Bellew, Interview with the BBC World Service)
Source: <https://www.bbc.com/news/business-38022279>

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APPENDIX

Historical journey of Malaysian Airlines

- 1937 — Malayan Airways Ltd., the forerunner of Malaysia Airlines, is formed to provide flights between Penang in Malaya and Singapore, both part of the British empire at the time.
- 1963 — A now independent Malaysia absorbs neighbouring British colonies, and the national carrier becomes Malaysian Airlines Ltd.
- 1972 — The carrier is renamed Malaysian Airline System and later branded as Malaysia Airlines.
- 2012 — Wins “World’s Best Crew” award from airline rating firm Skytrax, the 7th time it has claimed that industry accolade since 2001.

2013

- 2013 — Losing ground to budget airline rivals, losses at Malaysia Airlines balloon to 1.17 billion ringgit (\$363 million), nearly three times larger than its 433-million-ringgit loss in 2012.

2014

- March 8, 2014 — Malaysia Airlines Flight 370 severs contact with air traffic control en route from Kuala Lumpur to Beijing and veers far of course with 239 people on board; searchers have still not located the plane which is believed to have crashed into the southern Atlantic Ocean.
- March 10 — Shares of Malaysia Airlines plunge 20 percent when stock market trading opens on the Monday after Flight 370 vanished.
- May 29 — The Malaysia Airlines union calls for the resignation of CEO Ahmad Jauhari Yahya, saying new management is needed to revive the beleaguered flag carrier.
- June 25 — CEO Ahmad Jauhari Yahya says the airline’s business is seeing a “significant recovery” from the Flight 370 tragedy but must undergo radical changes to survive.
- July 17 — Malaysia Airlines Flight 17 is blasted out of the sky over an area of Ukraine controlled by pro-Russian rebels, killing all 298 people on board.
- July 18 — Malaysia Airlines shares drop 14 percent. Analysts estimate the airline is losing \$1.6 million a day and won’t survive a year without a bailout.
- Aug 25 — Malaysia Airlines says passengers dropped 11 percent in July compared with a year earlier.
- Aug 29 — Malaysia’s state investment fund, which is the majority shareholder of Malaysia Airlines, says 6,000 of the airline’s 20,000 staff will be cut as part of a \$1.9 billion overhaul to return the airline to profit by 2017.

Source: <https://www.aol.com/article/2014/09/04/key-events-in-the-history-of-malaysia-airlines/20956994/>

MAS Organizational Structure as of 2013

MALAYSIAN AIRLINE SYSTEM BERHAD (10601-W)

80%	Abacus Distribution Systems (Malaysia) Sdn. Bhd. (180535-T)	100%	Kelip-Kelip II Labuan Limited (LL07075)
51%	MAS Aero Services Sdn. Bhd. (277266-X) (formerly known as Aerokleen Services Sdn. Bhd.)	100%	Kelip-Kelip II Cayman Limited (WK-225671)
100%	FlyFirefly Sdn. Bhd.* (346606-K)	100%	Kelip-Kelip III Labuan Limited (LL07638)
100%	MASkargo Logistics Sdn. Bhd. (68121-P)	100%	Malaysia Airlines Capital II (L) Limited (LL07894)
100%	Malaysia Airlines Capital (L) Limited (LL01132)	100%	Malaysia Airlines Capital III (L) Limited (LL07927)
100%	MASkargo Sdn. Bhd. (318815-M)	100%	MH Loyalty Programme Sdn. Bhd. (951320-T)
100%	MAS Academy Sdn. Bhd. (317184-W)	100%	Delima Insurance (Labuan) Ltd (LL08535)
60%	MAS Awana Services Sdn. Bhd. (372384-D)	100%	Malaysia Airlines Capital IV (L) Limited (LL08669)
100%	MAS Golden Boutiques Sdn. Bhd. (317182-T)	100%	Malaysia Airlines Capital IV Cayman Limited (WK-265139)
100%	MAS Golden Holidays Sdn. Bhd. (317144-A)	100%	Malaysia Airlines A330 Capital Labuan Limited (LL09020)
100%	MASwings Sdn. Bhd. (773841-A)	100%	Malaysia Airlines Capital V Cayman Limited (WK-275500)
100%	MAS Aerotechnologies Sdn. Bhd. (317185-K)	100%	Malaysia Airlines B738 Capital Labuan Limited (LL09767)
100%	Malaysian Aerospace Engineering Sdn. Bhd. (775412-D) #Ψ	100%	Malaysia Airlines B738 II Capital Labuan Limited (LL09857)
100%	Macnet CCN (M) Sdn. Bhd. (318626-W) under Members Voluntarily Winding Up	100%	MAS B738 EXIM (L) Limited (LL10575)
100%	Kelip-Kelip Labuan Limited (LL06736)		

DISCUSSION QUESTIONS

The following are assignment questions which students should attempt to answer:

1. What are the most important factors in the external environment that are relevant to the airline industry in Malaysia? How does the company deal with each of these factors at present?

(Hint: Students are encouraged to analyse based on timeline approach)

2. The airline industry was badly affected during covid-19 pandemic.

- Identify the risks the airline faced due to the pandemic.
- Propose the relevant risk mitigation strategies adopted by the company.

3. Evaluate the business turnaround strategy in the airline business segment adopted by Malaysia Airlines. What are other possible strategies that MAS could adopt?