

Analysis of Inefficiency in Management Systems (Case Study: Rayani Air)

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ABSTRACT

Air transportation have become one of the fastest growing industries because of the economic deregulation. This situation makes airlines company started to think out of the box to create an exciting business strategy in order compete in the market. The aim of this study is to investigate the inefficiency of Rayani Air's management system. Rayani airline is an airlines services that operated in Malaysia. It is the fourth airline in the world that has made it mandatory that each of the Muslim cabin crew be sharia compliant. Unfortunately, there are negative comments about their inefficiency of the systems by customers. Through observation and analysis of existing branding design, this study attempts to develop a new strategy for improving Rayani Air's management system. In this case, improvement in this system is necessary for restoring consumers' trust and convincing stakeholders to invest in the company. We conclude that rebranding for failure organization is a crucial task and should be given the highest priority.

Keywords: Technical problems; Rayani Air; Air transportation; Sharia compliant; Inefficiency.

INTRODUCTION AND BACKGROUND OF THE COMPANY

Rayani Air Sdn. Bhd. was a full-service airline in Malaysia, headquartered in Shah Alam, Selangor, in the Kuala Lumpur metropolitan area (Wikipedia). It was the first Sharia-compliant airline in Malaysia and the fourth such airline in the world, after Royal Brunei Airlines (RBA), Saudi Arabian Airlines and Iran Air. No alcoholic beverages or pork were served on board in accordance with Islamic dietary laws and prayers were recited before every flight. Muslim flight attendants wore a hijab and non-Muslim crew members were forbidden from wearing revealing clothing. The proves was provided by (BBC, 2016) offering only halal food, no alcohol and crew wearing modest clothing.

Rayani Air was founded by Ravi Alagendrran and his wife Karthiyani Govindan, both Malaysians of ethnic Indian descent. The name Rayani is said to be combination of the first names of the founders (Wikipedia). The airline changed its base to Langkawi International Airport to attract tourists to the resort island. It was previously rumoured that Rayani Air would be launched as a low-cost carrier. However, the airline officially positioned itself as a full-service carrier in December 2015.

On 20 December 2015, the airline's inaugural flight to Langkawi (RN600) took off smoothly. The airline was planning to cooperate with Royal Brunei Airlines to strengthen the Sharia-compliant airline concept within the aviation industry (Wikipedia).

Furthermore, on 9 February 2016, Rayani Air flight RN180 was scheduled for Kuala Lumpur International Airport 2 From Langkawi was cancelled due to a broken cockpit windshield. He said the affected passengers were given a choice whether to use ferry and bus services provided by the Rayani Air back to Kuala Lumpur or to get their airfares refunded. Meanwhile, Nor Azman Ali, one of the affected passengers, suggested that the airline to bring in substitute aircraft to serve the stranded passengers. The next day, the airline issued a press statement apologising for the flight cancellation and attributed the shattered windshield to a previous night flight. Rayani Air said they were investigating to see whether the broken windshield was an act of sabotage and would liaise with relevant authorities to deal with this (Star, 20 February).

In March 2016, Rayani Air faced several issues and numerous complaints, highlighted in several media outlets. Passengers complained that the airline frequently rescheduled flights, often up to 13 hours later. Cancellations and delays are due to unexpected technical problems. Rayani Air are not deliberately failing to fulfill though cancelation. The airline also frequently cancelled flights without advance notice and without compensation or assistance to affected passengers. It was reported that pilots refused to fly because of the poor condition of the aircraft.

Politician Lau Weng San criticised the airline for using handwritten boarding passes, posing a security threat to the aviation industry. This led the Minister of Transport, Datuk Seri Liow Tiong Lai, to state that the airline would be investigated and suspended if necessary. On 11 April 2016, Rayani Air was officially suspended for 3 months (Star Newspaper, 22 March 2016).

On 9 April 2016, Rayani Air has suspended operations since April after the country's first Shariah compliant airline was launched just about last December 2015. Rayani Air temporarily suspended all operations until further notice, citing 'restructuring exercises' in an announcement made by its co-founder. The Malaysian Aviation Commission (Mavcom) announced in a statement on 13 June 2016 that Rayani Air's licence had been revoked, saying it had breached the conditions of its licence and lacked the financial and management capacity to continue operating as a commercial airline (Star, June 13).

CHALLENGES FACED BY RAYANI AIR

Mainly, our focus of study is on the highest potential for success which is studied the company's business closely to learn the inefficiency of management in Rayani Air. At the same time, about how Rayani Air differentiated themselves from the competitor. We afraid that chasing too many factors instead to make the company growth can be dangerous and risky to the company. Rayani Air, the Shariah-compliant airline which began operations on 20 December 2015, might just go down in history as one of the flight carriers which has clocked in the least mileage since its operation. This comes about as after only 3 months approximately of operation, they finally rest their wings on 9 April 2016 (Anna Lee, 2016).

In my opinion, firstly Rayani Air face a challenge on flight management. Rayani Air has lack of effectiveness in management system. As a passenger there are necessary to have a professional boarding pass, but Rayani Air are expose the company to security risks with handwritten boarding passes. The airline handed out boarding passes whereby the passenger details were written on with ink. Even when a handful could see the humour in the lack of professionalism in the flight carrier (Anna Lee, 2016). Part of inefficiency management system, a pilot strike caused flight rescheduling repeatedly, the pilot of Rayani Air went on a strike and passengers were forced to reschedule their flights, clearly much to their own inconvenience (Anna Lee, 2016). Related to flight reschedule instead of earning, they are refunding passengers for flight delay and cancellation (Anna Lee, 2016). Rayani Air should be more organized with their management because the causes affected many people at the same time. Pilot and cabin crew as well went on strike, because Rayani Air could not afford to pay their employees salary (Anna Lee, 2016). Supported by (Fara, 2017) Rayani Air was also said to have been unable to pay its pilots, which caused the pilots to go on a strike.

Furthermore, Rayani Air face inefficiency in management when they have lost the passenger trust. Malaysia especially sensitive to negative news after two of Malaysia Airlines crashes of 2014. A total of more than 500 people was tragically killed in the crashes (Megan Ray Nichols, 2016). Thus, Rayani Air should find way how to face the challenge and to make the management more efficient and effective. Rayani Air owner Ravi Alagendrran said the decision to close the airline came at the same time that the company is seeking to raise funding. The decision appealing and said in a statement that new leadership and investors would help with management of the airline (Megan Ray Nichols, 2016). Thus, Rayani Air has to stable the company financial, and manage the financial well. This can help the company more successful in future.

Secondly, challenge faced by Rayani Air is flight competitor. First of all, there are many other airlines that are commercial in the market such as AirAsia, Malindo Air, MAS, Firefly and so forth. Rayani Air is one of the airlines that try to create their name in customers' heart. The customer wanted to know how their products and approach differed from the competition to get the best services with affordable prices. Rayani Air lack of customers trust because they are many domestic flights were cancelled including their flights to Kota Kinabalu, Kuching and Langkawi. Siti Nadwatul Shima Nor, 24, said her flight to Langkawi was rescheduled three times before it was finally cancelled (Daily Express, 2016). At the same time, followed by condition of unfortunate and messy events that happen, its make customer lost their trust to use Rayani Air services. Rayani Air started off small, only offering domestic flights within Malaysia on its two Boeing 737-400s. The two airplanes previously belonged to Malaysia Airlines. Two more airplanes were on order, yet they never came to fruition (Megan Ray Nichols, 2016). Thus, services that offered by Rayani Air should be improve from time to time with more airplane to generate profit. As compared to other airlines company, Rayani Air was a full-service airline in Malaysia, headquartered in Shah Alam, Selangor, in the Kuala Lumpur metropolitan area (Wikipedia, 2019). Rayani Air competitor which is more stable are offering services for multidomestic country. Rayani Air have to face challenge whereas their competitors' company are more relevant for passenger to use their services. In my opinion, Rayani Air should rebreading their name, as well as services provided. The owner of Rayani Air, Mr. Ravi claims they would expand their flight services to Kuching and Kota Kinabalu next year and hopefully to Indonesia, Philippines, China, Australia and Middle East at a later stage (Finance Twitter, 2015).

Then, Rayani Air faced challenge when they have no fund to do a maintenance for the plane. Rayani Air was operating with very little financial funds, naturally its maintenance records are questionable (Finance Twitter, 2016). It is too risky for anyone that take the plane to somewhere. The probability of accident to happen is high. Rayani Air should consider more about passenger, pilot and cabin crew life instead of just generating revenue.

METHODOLOGY

The methodology proposed in this case study are based on secondary data that was supported with fact and evidence from company's websites, articles, newspapers, any resources related on Rayani Air and having group discussions among members and lecturer. By using those resources, the authors understand, identify and analyze the inefficiency of Rayani Air management systems.

FINDING/SOLUTIONS

Due to the challenges happened to Rayani Air, there are alternative provided for Rayani Air to improve their services in order to continue their operation.

Firstly, Rayani Air's must improve the system application. Rayani Air must change the ways to inform customers in the boarding pass from handwritten to printed (Star Online, March 2016). Handwritten is not clear and it is not showing professional. Boarding pass of Rayani Air must be printed to show the credibility of the company. By printed of the boarding pass instead of handwritten, customers will not misunderstand of the writing of the workers and the mistakes will happen. Moreover, Rayani Air must create the apps for customers to book the flight, check in and also family can know whether the customers reach the destination. If Rayani Air creating the apps, the management of Rayani Air will be easier to calculate the sales of the days. With the apps, customers will easier to book the ticket and do not have to come to the airport or agent itself. In conclusion, by creating the apps, will much easier to customers and also the management.

Secondly, Rayani Air's must provide the insurance for passengers to protect the passengers to get the claims if anything happens. There are 2 insurances have been provided which are Passenger liability insurance and Combined Single Limit (Aviation Insurance, Wikipedia). Passenger liability insurance protect passengers riding in the accident aircraft who are injured or killed. Coverage is often sold on a per-seat basis with specified limit for each passenger seat.

Combined Single Limit coverage combined public liability and passenger's liability coverage into a single coverage with a single overall limit per accident. The type of coverage provides more flexibility in paying claims for liability. By having the insurance to passengers, passengers will be feeling safe if anything happen to the passengers. The benefit having insurance, the passengers will get compensation if passengers injured or died.

Thirdly, Rayani Air's must find loans to improve their capital and also can providing the best to their services if have more capital. A lot of institution has offers financial to the company for example Maybank, Bank Islam and etc. If finding getting the loans, Rayani Air will be having a great financial to rolling the money and also can buy the airplane and Rayani Air's using Boeing 737-400s. When Rayani Air started then operations during 2016, Rayani Air use the two airplane belongs to Malaysia Airlines and also Rayani Air also order the airline but Rayani Air cannot rolling the money and never came to fruition (Megan Ray Nichols, June 2016). Rayani must have at least 10 airlines so Rayani Airs can generate the profit. The problems of Rayani Air because of limitation of flight in a day for example only have one time to any destination. People moreover cannot choose their time to go anywhere.

Furthermore, Rayani Air's must improve services from customers complaint. Rayani Air has been cancelling flights without due notice. They have also repeatedly failed to provide replacement flights. Rayani Air's had been giving warning to comply with regulations (Adrian Lai). Management of Rayani Air must have a good planned about their upcoming flight. Rayani Air's cannot cancel the flight of Rayani Air if because of bad managements which is cancellations to poor services. Rayani Air have should handle this situation by informing the employees early and give a compensation of a flight ticket.

Lastly, Rayani Air's should reduce the workers for example flight attendances, pilot and etc but paying the salary on time. In 26 April 2016, Rayani Air did not manage to pay up the worker's salary amounted RM1.5 million (Malay Mail, April 2016). A former Rayani Air staff member, who only wanted to be known as Azharudin, told the press conference that there were currently some 450 workers of the airline who had not been paid their salaries (Sheith Khidhir Bin Abu Bakar, April 2016). Some 416 staff of Rayani Air threatened legal action against chief executive officer Ravi Alagendrran if their salary not paid immediately. Rayani Air Manager claimed airline management had failed to pay the staff's March 2016 salary. Staff had also found out that their Employees Provident Fund (EPF) and Socso deduction were not paid to the respective organization. Multiples police report have been lodged on the matter but no action has been taken so far (Hashini Kasyistri Kannan, May 2016). Reducing the employees to the minimum employees the company wants and pay the affordable salary to the employees. The employees will not take legal action if the company not paid salary to the employees. Rayani Air had a bad image if the management of Rayani did not paid salary to the employees (Hashini Kavishtri Kannan, 2016).

BENEFITS

Benefit is an advantage or profit gained from something. Rayani Airline will get some benefits in order to improve their airline business if Rayani Airline practice the solutions given.

Unlike traditional applications, Just-In-Time system (JIT) is not just for manufacturing sector. In the modern technology era, JIT is also famous in-service sector such as fast delivery for fast food. JIT is not focussing on the product but the process of the airline business. As Rayani Airline is a service business, JIT system is to produce the service without non-value-added activities such as services to customers not properly delivered leading to customers dissatisfaction. The non-value-added activities lead to increment the cost called non-value-added cost. JIT approaches in the service sectors could be implemented in the terms of simplifying production processes, reducing inventories and focusing on the quality of the services provided (Vonderembse and White, 1991). Using the application of JIT principle, Rayani Airline can easily improve their customers service and the service processes become more efficient such as flight ticket booking, flight delay and cancellation.

Besides, Rayani Airline will reap the benefit when they are providing insurance for passengers. Rayani airline will gain the customers' trust and confident when they are choosing the Rayani

Airline as their transportation to fly. The first and most important reason to develop sales trust with your customers is that over 90% of companies report that they will only buy from companies that they trust (Claire MacConnachie, February 21 2017). Building trust is not too easy as easy as ABC. Trust from the customers come when Rayani Airline provided the service well. Once Rayani Airline established the trust, Rayani Airline need to maintain it. The customers will doubt to choose Rayani Airline if they are lacking in provide the services. By providing the insurance, the customers can believe that Rayani Airline are someone that they can trust. The satisfaction of the customers to Rayani Airline also gain customers' trust towards them. By this trust, the customers will get the positive vibe from Rayani Airline and they will recommend to the other people. This is called word of mouth marketing. It is a zero cost marketing that can increase the revenue.

"Running an airline requires a huge amount of money. By my estimates, an airline like Rayani Air, which is considered a small airline, would need around RM 20 million at least to operate for five to six months." (The associate professor at Uni KL's Malaysian Institute of Aviation Technology, April 2016). To settle down the problem, Rayani Airline need to find more money to be their capital to operate the company such as loan. Borrowing money from another entity will give Rayani Airline more benefits than giving up equity. In the long-run term, by the debt, Rayani Airline can make greater profit with the greater capital. By the profit, Rayani Airline can pay the interest on debt that can reduces tax burden. As Rayani Airline has the financial problems, they need to work more on finding the capital. When the return is higher, the debt is worth it. The borrowing money from the banks encourages discipline because Rayani Airline just need to pay annual payment of debt with the interest even though the services become profitable. Rayani Airline can manage their expenses well.

CONCLUSION

In the nut shell, Rayani Airline has many initiatives to operate well to compete with competitors such as Air Asia, Malaysia Airline, FireFly and others. "Do not worry about failure, you only have to be right once" (Drew Houston, Co-founder and CEO DropBox). So, Rayani Airline need to work hard in order to achieve their goal and objectives. Rayani Airline also need to adapt with the environment such as political environment, economic and others. The management system must perform better to face all the challenges in the business environment. Rayani Airline also need benchmarking from the other company which is operate well in the business airline. So, from that, Rayani Airline can stand up alone after facing ups and downs in the airline business. Rayani Airline can enter international airline business if they manage to solve their financial problems to get higher profits and returns.

On the bright side, Rayani Airline actually come out with a extraordinary concept of airlines by introducing an islamic version of domestic aviation services and become the first Sharia-compliant airline in Malaysia (BBC,2016) but they are leaking in terms of management systems. Rayani Air need to make sure that they do some improvement on the issue arise during last operation. As a company that offer aviation services, they need to ensure that satisfaction of the customers, safety of passengers, service on board could give satisfaction and affordable based on the price paid by customer. Rayani Airline's earning per share is higher, investors have no doubt to invest more in Rayani Airline.

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