

**PROMOTING WORKERS SATISFACTION FOR PRODUCTIVITY IN THE SERVICE SECTOR: A CASE STUDY OF ARIK AIR NIGERIA**

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***Abstract***

*The demand for air transport services in Nigeria has been on the increase within the past three decades. There has been growth in passenger, aircraft and freight traffic due to the deregulation as well as the development in all sectors of the Nigerian economy. The belief that regular maintenance of aircraft will lead to the desired result in the sector. Our understanding of the role of workers specifically in the service industry still remains contentious hence need be investigated. This study therefore seeks to examine the effect of service operators in the airline industry. The paper therefore recommends that all efforts must be put in place to provide incentives (financial and non-financial) to retain workers loyalty and commitment in the sector. This will go a long way in ensuring hitch-free flights and profitability in the air line industry.*

**Introduction**

The airline industry is central to all economy of the world considering the current drift towards globalization. The industry is a major economic force, both in terms of its direct impact or its multiplier effects on other sectors of the economy such as tourism, education, manufacturing and construction. It is also the fastest means of transportation in across the world. A country with well developed air industry can be said to be a developed economy. Past innovations and inventions have changed how people live and experience the world; such as the invention of the airplane. The aftermath of the World War II saw the emergence of the first commercial airplane routes in Europe. Over time, air travel has become a day to day activity that it would be hard to imagine life without the sector. The industry, therefore, certainly has progressed. It has also altered the way in which people live and conduct business by shortening travel time and altering our concept of distance, making it possible for us to visit and conduct business in places once considered remote.

Scholars among whom are Anderson et al. (1994), Rust et al. (1995), and Loveman (1998) have examined extensively on the relationship between operational performance and its effect on profitability in the service industry. The centrality of these researches focuses more on product quality neglecting other critical operational issues that also affects productivity. Our understanding of the role of workers specifically in the service industry still remains contentious hence need be investigated. The main thrust of this paper therefore is to examine the effect of motivated and quality staff on profitability in the airline industry. One of the frontiers in the area of service management which links quality, productivity, and financial performance is the “service profit chain” (Heskett et al. 1997). It synthesizes research from various disciplines (such as human resource management, services marketing, and services operations) and posits that certain human resource practices lead to capable and satisfied employees who, as a result,

achieve higher productivity and quality of service. This combination of satisfied employee, quality output and productivity ultimately results in superior financial performance and profitability (Loveman 1998, Heskett et al. 1994).

Over the years, considerable attention has been devoted to service levels in Nigerian airline industry – with the predominant view that quality is poor and rapidly deteriorating. Weather, congestion and other exogenous factors undoubtedly contribute to air delays. Nevertheless, airlines could take actions or make investments that would improve their on-time performance. For example, a delay caused by a failed pre-flight maintenance inspection could be mitigated if an extra, unscheduled aircraft was on hand or if adequate expert repair crews were employed and motivated. Also, stand-by crew members stationed at airports might prevent delays caused by unanticipated employee absences.

## **MATERIALS AND METHODS**

### **LITERATURE REVIEW**

Deregulation of commercial airline transportation has brought reality to air transport services in Nigeria and has contributed to a striking overhaul in an industry that is crucially important to the Nigerian economy. Economists predicted that unregulated competition among airlines would result in lower costs and reduced fares for consumers (Stephens MS, 2003). It was also hoped that consumers would benefit as competing airlines offered improved levels of service to attract demand. While the skies have been somewhat bumpy for carriers – particularly those unable to successfully cut costs – the most efficient airlines have been able to thrive in the two decades since deregulation. Similarly, the institutional restructuring and reforms of government's agencies have created a regime of efficiency and effectiveness which have impinged on air services operations in Nigeria. Also, the re-capitalization policy of the federal government on all airlines operating in the country resulted in the consolidation of the investment portfolio of most airlines operations leading to merger and acquisition of airline. The effects led to acquisition of brand new aircraft, route expansion and capital base enlargement (Okeke, 2001).

One concern that accompanied deregulation was that scale economies inherent in air transport might hold down entry and leave the number of airlines operating in a competitive system relatively small. If particular markets were concentrated as a result, consumers would be vulnerable to higher prices. Indeed, studies of airline pricing have demonstrated that while deregulation has reduced most fares, prices are lower when the number of airlines flying between a given pair of cities is larger. The interplay between cost savings from scale and the potential threat of high fares due to the exercise of market power has informed the debate over airline competition policy since deregulation (Borenstein S.1992).

A separate set of recent government overtures toward re-regulation has focused on the under provision of service by the airline industry. Both the executive and legislative branches have applied pressure on the industry by threatening to impose strict requirements on the quality of service airlines provide. To avert passage of a "Passengers' Bill of Rights" in 2000, the industry made promises to improve service quality, temporarily mollifying supporters of re-regulation. However, the industry's failure to improve service – in particular, their worsening record of delayed and cancelled flights – has prompted many prominent legislators continue to push for government intervention into the competitive landscape. Increase in global wealth and life longevity

and relative reduction in global level of poverty has made demand for air transportation to be on the rise in the last two decades. Failure to accommodate this growth would have serious ramifications for tourism, the finance sector, and other businesses that rely on world markets (Darling, 2003). Aviation will thus continue to play an important role in the future prosperity of the Nigerian and world economies. However, transport infrastructures are quite expensive to put in place. In fact the decision to build one is very expensive too as resources are limited and there are several sectors of the economy that share these limited resources which must also be considered in resource allocation. Developing countries such as Nigeria are facing the twin pressures of economic growth and environmental protection in the 21st century. Gosling (2000) opined that transport demand management needs to be carried out in accordance with the principles of sustainable development and the maintenance of ecological environment so that we can attain the objective of coordinating the needs of the present without compromising the ability of future generations to meet their own needs. Airport capacities are increasingly getting smaller and needs to be expanded.

In Nigeria, the Murtala Mohammed Airport (MMA) and Port Harcourt Airport had their runways increased recently. Few industries have developed and grown as rapidly as air transport. Traffic congestion in both developed and developing countries is getting worse; as the capacity of networks cannot increase at a rate to match the increase in demand (Stephens, 2003). However, are the arguments for increasing and increased capacity justifiable, particular in developing countries where in most cases capacities are often underutilized but vaguely seen as over-utilized?

The demand for air transport services in the country has been on the increase within the past three decades. There has been growth in passenger, aircraft and freight traffic as a result of physical and economic development of cities in different parts of the country. The creation of states and the need to develop state capitals for them to perform their socio-economic responsibilities has fuelled the tempo of physical development in the country. Fast connections between the diverse economic spaces of Nigeria are better achieved through air transportation. According to Ogunbodede (2006), the diversity in the resource endowment between the North and the South is an important factor in the growth of air transport in Nigeria. Also, the new civilian administration regards the air transport subsector as a critical focal point in the effort to open up the country to foreign investors and thereby narrow the gap between available and required levels of domestic investment capital (Adeyemi, 2001).

According to Schefczyk(1993), maintenance of aircraft alone does not reflect overall performance. Specifically, productivity does not consider the operational elements that matter to the customer such as the flight being on time, luggage not being lost or mishandled in the hand of the airline staffs. Rothand Jackson (1995) empirically tested the operational capabilities-service quality-performance (C-SQ-P) framework in the banking industry using exclusively perceptual measures. Anderson et al. (1997) examined whether the relationship between customer satisfaction, productivity, and profitability was different between goods and services. Productivity was operationalized as sales per employee and profitability was measured by return on investment (ROI). Anderson et al. (1997) found that a trade-off between customer satisfaction and productivity was more likely when customer satisfaction was more dependent on customization as opposed to standardization. Their analysis also showed that for manufacturing goods, only productivity enhanced profitability, whereas for services both customer satisfaction through well trained and motivated staffs to enhance profitability.

## **LINE AND STAFF PERSONNEL**

These include everyone directly involved in producing or selling an airline's services - the mechanics, who maintain the planes; the pilots, who fly them; the flight attendants, who serve passengers and perform various in-flight safety functions; the reservation clerks, airport check-in and gate personnel, who book and process the passengers; ramp-service agents, security guards, etc. Line personnel generally fall into three broad categories: engineering and maintenance, flight operations, and sales and marketing. These three divisions form the heart of an airline and generally account for 85 percent of an airline's employees.

Staff Personnel are specialists in such fields as law, accounting, finance, employee relations and public relations. Their function is to support the work of the line personnel, so that the airline runs efficiently and earns a profit. For the most part, staff personnel work out of corporate headquarters and fall into seven broad job categories typical of major corporations: finance & property, information services, personnel, medical, legal, public relations and planning.

Finance & property handles company revenues and finances. In addition, it oversees all company property and the purchase of food, fuel, aircraft parts and other supplies needed to run an airline. Information services designs and maintains the company's internal computer systems, used to store and analyse data needed for operations and planning. At an airline, this includes the important function of fleet planning. The operations department is responsible for operating an airline's fleet of aircraft safely and efficiently. It schedules the aircraft and flight crews and it develops and administers all policies and procedures necessary to maintain safety and meet all Nigeria Civil Aviation Authority (NCAA) operating requirements. It is in charge of all flight-crew training; both initial and recurrent training for pilots and flight attendants, and it establishes the procedures crews are to follow before, during and after each flight to ensure safety. Dispatchers also are part of flight operations. Their job is to release flights for take-off, following a review of all factors affecting a flight. These include the weather, routes the flight may follow, fuel requirements and both the amount and distribution of weight on-board the aircraft. Weight must be distributed evenly aboard an aircraft for it to fly safely.

## **METHODOLOGY**

This study was based on survey through the use of detailed questionnaires administered using the stratified random sampling technique on staff of Arik airlines staff in Lagos Nigeria. The study was conducted for a period of two weeks comprising of staffs from engineering and maintenance, flight operations as well as the sales and marketing personnel. Our method of analysis is the chi-square method of data analysis.

## **DATA PRESENTATION**

The main focus of this was to examine the efficacy of aircraft maintenance in the airline industry and to investigate the impact of good customer relation on profitability in airline industry, a case study Arik Air Limited. In order to collect appropriate data for this study, secondary data of the organisation of 140 flight operations were collected from the statistic department relating to the routes of study. The data collected were analysed using mean of the frequency count and simple percentages and the hypotheses were tested with 0.05 (5%) significance level.

## **STAFF ANALYSIS**

### **Table 1: Arik Personnel Analysis**

OPTIONS	FREQUENCY	PERCENTAGES (%)
Senior Manager	12	12
Managers	24	24
Flight Officers	28	28
Staff	36	36
TOTAL	100	100

Source: Authors field work (2012)

Table 1 shows the sampled staffs of Arik Airline in Lagos, Nigeria. This comprises of 12 senior managers representing 12 percent of the total respondents. Also, 24 managers were sampled representing 24 per cent of the total respondents. A total of 28 flight officers representing 28 per of the total respondents were equally sampled while 36 respondents belong to other category of workers. These category of staffs are more than others representing 36 per cent of the total respondents.

**Hypotheses**

H<sub>0</sub> - Quality Staff benefits does not promote quality customer service delivery

**Table 2 Chi- Square Table**

VARIABLE	RESULTS				
Personnel	12(11.36)	24(22.73)	28 (25)	36 (40.91)	100
Benefits	8 (11.36)	16(22.73)	16 (25)	36 (40.91)	76
TOTAL	20	40	44	72	176

Source: Authors computation (2012)

$$\text{Using, } \sum f = \frac{CT \times RT}{GT}$$

**Table 3 Staff Analysis**

S/N	O	E	O-E	(O-E) <sup>2</sup>	$\frac{(O-E)^2}{E}$
1.	12	11.36	0.64	0.41	0.04
2.	24	22.73	1.27	1.61	0.07
3.	28	25	3	9	0.36
4.	36	40.91	-4.91	24.11	0.59
5.	8	11.36	-3.36	11.29	0.99
6.	16	22.73	-6.73	45.29	1.99
7	16	25	-9	81	3.24
8	36	40.91	-4.91	24.11	0.59
<b>TOTAL</b>					<b>7.87</b>

Researcher’s Field work (2012)

From the table above  $X^2$  calculated as 7.87. At 0.05 level of significant, the degree of freedom can be calculated by using this formula below;

$$\text{Degree of Freedom (D.f)} = (r-1)(c-1)$$

$$\begin{aligned}\text{Therefore, } V &= (2-1)(4-1) \\ &= 1(3) = 3\end{aligned}$$

The degree of freedom of 3 and at 0.05 level of significance, the  $X^2$  tabulated equals 7.82. Since the  $X^2$  calculated (7.87) is greater than  $X^2$  tabulated (7.82), therefore, we reject the null hypotheses ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ), that says that the Quality Staff benefits promotes quality customer service delivery.

### **Conclusion and Policy recommendations**

This study has examined impact of workers satisfaction on organizational productivity in the air industry. Over the years, Billions of naira has been spent on the procurement and maintenance of aircrafts in the sector, yet the much expected profit level is yet to be met. Studies have focused on air craft maintenance as crucial to guarantee air safety and profitability in the sector. Current wisdom posits that maintenance alone does not reflect the overall performance in the sector. The workers need be trained and motivated to enable them contribute their own quota to the industry. To achieve the desired result therefore, government must create a conducive environment for the sector to thrive. Secondly, a quality staff benefit the study has shown promotes quality customer delivery service. All efforts must be put in place to provide incentives (financial and non-financial) to retain workers loyalty and commitment in the sector. Thirdly, there is the need to regularly train and upgrade the knowledge and skill of the staff to ensure their continued relevance in the sector.

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