Learning Under Pressure: Restoring Workforce Performance at Malaysia Airlines Berhad

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ABSTRACT

This case study examines the post pandemic recovery challenges faced by Malaysia Airlines Berhad, with a specific focus on the relationship between organizational learning, reward system alignment, workforce performance, and service reliability. Despite recovering passenger demand and government backed restructuring, the airline experienced declining productivity, increasing delays, rising operating costs, and inconsistent service quality during its rapid operational scale up in late 2023 and early 2024. The analysis highlights how accelerated rehiring, fleet reactivation, and network expansion exposed weaknesses in learning transfer and incentive structures across operational units. Drawing on established organizational learning and airline management literature, the study demonstrates that workforce performance variability was closely linked to uneven knowledge application, limited accountability, and misaligned reward systems. Operational units with stronger learning integration achieved higher productivity and service consistency, while others faced workflow disruptions and inefficiencies. These performance gaps translated into service reliability issues, cost escalation, and reputational risk, undermining customer trust and financial recovery prospects. The findings underscore the strategic implications of these challenges for long term sustainability and competitiveness. Persistent service inconsistency weakens brand equity and market positioning in a highly competitive Southeast Asian aviation market. More critically, insufficient alignment between learning practices, incentives, and operational processes reduces organizational resilience and limits the airline's capacity to respond to future disruptions. The study concludes that successful recovery in complex service organizations such as airlines requires more than capacity restoration. It requires deliberate integration of organizational learning, aligned reward systems, and standardized operational processes. For Malaysia Airlines Berhad, leadership decisions regarding human capital development and performance alignment will be decisive in transforming post pandemic recovery into durable competitive capability.

INTRODUCTION

In early 2024, the top management team of Malaysia Airlines Berhad, led by the Chief Executive Officer and supported by the Chief Financial Officer, Chief Operating Officer, and Head of Human Capital, was confronted with a serious operational crisis that placed the airline's post pandemic recovery at risk. Although passenger demand was recovering and the airline had undergone government backed restructuring, internal performance reports pointed to a worrying decline in workforce productivity and operational reliability. This decline was evident in increasing flight delays, rising operating costs, and inconsistent service quality across multiple routes. At the heart of the problem were weak organizational learning practices and reward systems that no longer supported the airline's evolving operational needs. These weaknesses became more visible in late 2023, following rapid rehiring efforts, fleet reactivation, and network expansion. Frontline employees and operational managers found it difficult to keep pace with new procedures, digital systems, and performance expectations. At the same time, existing incentives failed to encourage learning, accountability, or continuous improvement. As a result, valuable operational knowledge was not being effectively applied, further tightening margins that were already under pressure. This situation requires immediate and decisive action from top management. If no corrective measures are taken, Malaysia Airlines risks ongoing financial losses, declining employee morale, reduced customer trust, and increased regulatory attention in an increasingly competitive regional aviation industry. More critically, the airline's inability to translate learning into consistent work performance threatens

the long-term sustainability of its transformation efforts. The decisions made by senior leaders in the coming months will play a decisive role in determining whether Malaysia Airlines secures its recovery or returns to a cycle of operational and financial instability.

Products, Service and Market Environment

Malaysia Airlines Berhad offers a comprehensive portfolio of aviation related services, primarily focused on scheduled passenger air transport across domestic, regional, and long-haul international routes. As a full-service carrier, the airline differentiates itself through integrated service offerings that include cabin classes ranging from economy to business, in flight meals and beverages, baggage allowances, and customer loyalty programmes such as Enrich. In addition to passenger services, the airline supports cargo operations and related aviation services through strategic partnerships within the Malaysia Aviation Group. Service quality, safety standards, and brand heritage form the core attributes of its value proposition, with an emphasis on Malaysian hospitality and consistent service delivery across touchpoints. Malaysia Airlines operates in a highly competitive and cyclical aviation market shaped by fluctuating demand, fuel price volatility, regulatory oversight, and evolving customer expectations. Its target customer segments include business travelers, leisure passengers, government related travel, and transit passengers using Kuala Lumpur International Airport as a regional hub. Distribution channels comprise direct digital platforms, travel agents, corporate travel arrangements, and global distribution systems. The regional aviation market in Southeast Asia is characterized by intense competition from both full service carriers and low cost airlines. Consumer expectations have increasingly shifted toward reliability, punctuality, digital convenience, and value for money. At the same time, airlines operate under stringent safety and regulatory frameworks imposed by national and international aviation authorities, which influence operational processes, cost structures, and workforce requirements.

Organisational and Market Challenges

Within this operating environment, Malaysia Airlines faces a range of structural and contextual challenges. These include managing high fixed costs, ensuring consistent service quality across an extensive network, and maintaining operational efficiency amid fluctuating demand. The post pandemic recovery phase has added further complexity, as rapid workforce adjustments, fleet reactivation, and route reinstatement have required accelerated organisational coordination and capability rebuilding. Market related pressures such as competition from agile low-cost carriers, heightened customer sensitivity to service disruptions, and increased regulatory scrutiny continue to shape managerial priorities. These factors form the broader context within which the airline's internal performance and organisational dynamics must be understood.

Achievements and Successes

Despite persistent challenges, Malaysia Airlines Berhad has demonstrated notable resilience and capability. The airline has retained strong brand recognition as a national carrier and has received international awards related to cabin service, in flight experience, and safety standards. Strategic alliances and code share agreements with global airline partners have strengthened network connectivity and market reach. Operationally, the airline has made progress in restoring key international routes and improving load factors as travel demand recovered. These achievements reflect underlying organisational strengths and provide important context for understanding both the opportunities and constraints facing management.

Post Pandemic Recovery and Emerging Operational Pressures

Following the gradual reopening of international borders, Malaysia Airlines Berhad entered a rapid post pandemic recovery phase marked by accelerated capacity restoration and workforce reconfiguration. As passenger demand rebounded across domestic and regional markets, the airline reinstated grounded aircraft, reactivated suspended routes, and expanded flight frequencies to recapture market share. This rapid scale up required the rehiring and redeployment of operational staff, including pilots, cabin crew, and ground personnel, many of whom had experienced prolonged inactivity or role changes during the pandemic period. Similar to other full-service carriers, this transition placed considerable strain on operational coordination and human capital readiness (International Air Transport Association, 2023).

The complexity of operations intensified further as route and fleet reactivation occurred concurrently. Aircraft returning to service required updated maintenance checks, regulatory compliance, and crew recertification, while newly restored routes demanded synchronized scheduling, ground handling, and service delivery capabilities. Studies indicate that such rapid operational reactivation often increases the risk of inefficiencies, delays, and performance variability when organisational processes and workforce learning do not adjust at the same pace as capacity growth (Deloitte, 2022). Within this context, emerging operational pressures were not solely demand driven but reflected the challenges of aligning people, systems, and processes during a compressed recovery timeline.

Theoretical Foundation

The Learning Under Pressure concept is grounded in organizational learning theory, the resource-based view, and organizational resilience literature. LUP refers to an organization's capacity to acquire, transfer, internalize, and apply knowledge effectively under conditions of operational stress, compressed timelines, and environmental uncertainty. Organizational learning theory explains how firms convert experience into performance improving knowledge. Argote and Miron-Spektor (2011) argue that knowledge only improves outcomes when embedded in routines and applied consistently. Garvin, Edmondson, and Gino (2008) further demonstrate that learning organizations require structured processes, leadership support, and aligned incentives. In the Malaysia Airlines case, rapid post pandemic scaling created high pressure conditions in which learning systems had to function at accelerated speed. LUP extends this theory by examining knowledge application under time compression.

The resource-based view strengthens the framework. Barney (1991) posits that sustained competitive advantage depends on valuable, rare, inimitable, and non-substitutable resources. In airlines, workforce capability and embedded operational knowledge represent strategic assets. However, these resources generate value only when reconfigured effectively during change. LUP captures the reconfiguration of knowledge resources during recovery. Organizational resilience theory adds a human capital dimension. Lengnick-Hall, Beck, and Lengnick-Hall (2011) show that resilience depends on aligned HR systems, capability development, and adaptive leadership. In this case, reward misalignment weakened adaptive capacity, limiting the performance impact of learning investments. Organizational learning quality positively influences workforce performance. Reward system alignment moderates this relationship. Under high operational pressure, weak alignment increases performance variability and operational disruption. This integrated framework grounds the case in established scholarship rather than descriptive narrative.

Research Design and Data Analysis

This study employs a qualitative explanatory single case design. A single case is appropriate because Malaysia Airlines Berhad represents a critical recovery case in a complex and regulated industry. The aim is analytical generalization rather than statistical inference. Internal operational reports covering delay frequency, workforce productivity trends, and cost patterns during late 2023 to early 2024

Data Analysis Procedures

Stage 1. Pattern identification.

Operational indicators were examined to identify productivity gaps, delay trends, and cost escalation patterns.

Stage 2. Theoretical coding.

Observed patterns were coded using constructs derived from organizational learning theory, including knowledge transfer, internalization, and behavioral reinforcement. Reward alignment variables were coded based on performance metrics and incentive structures.

Stage 3. Cross validation with prior research.

Findings were compared with airline management literature. Wensveen (2018) highlights how coordination breakdowns increase operational disruption. IATA 2023a documents post pandemic volatility in airline

operations. Deloitte (2022) identifies restart complexity as a major source of inefficiency. These external sources corroborate internal patterns. This systematic approach strengthens internal validity and enhances transparency.

Linkage Between Findings and Prior Scholarship

First, performance variability reflects the argument by Argote and Miron-Spektor (2011) that experience does not automatically translate into performance gains without embedded routines. Units that institutionalized updated procedures achieved more stable outputs. This supports Garvin et al. (2008), who emphasize systematic learning processes. Second, the reward misalignment observed in the case aligns with Goh and Richards (1997), who demonstrate that incentives emphasizing short term output weaken learning behaviors. At Malaysia Airlines, performance metrics prioritized operational volume rather than collaborative knowledge sharing. Third, the link between workforce inconsistency and service reliability aligns with airline operations research. Wensveen 2018 and IATA 2023a show that minor disruptions in crew coordination escalate into delays and cost increases. The case findings provide empirical illustration of this mechanism. Finally, resilience constraints reflect Lengnick-Hall et al. (2011), who argue that HR alignment determines adaptive capacity during disruption.

Organizational Learning and Reward System Misalignment

During the post pandemic recovery phase, Malaysia Airlines Berhad faced notable gaps in learning transfer and knowledge application across operational units. Rapid changes in procedures, digital platforms, and compliance requirements required employees to relearn and apply updated knowledge within a short time frame. However, research shows that organizational learning only contributes to performance when knowledge is effectively internalized and applied in daily work practices (Argote and Miron Spektor, 2011). In complex service organizations such as airlines, weak mechanisms for reinforcing learning often result in knowledge remaining fragmented or underutilized, particularly among frontline and middle management employees (Garvin, Edmondson, and Gino, 2008).

These learning challenges were compounded by misaligned reward and incentive structures. Existing performance metrics and incentives emphasized short term operational outputs rather than learning behaviors, collaboration, or process improvement. Prior studies indicate that when reward systems fail to support learning oriented behaviors, employees are less likely to experiment, share knowledge, or adapt to new operational demands (Goh and Richards, 1997). In the context of Malaysia Airlines, this misalignment contributed to behavioral inconsistencies, limited accountability, and uneven performance outcomes across functions. As a result, the organization struggled to convert renewed operational activity into sustained productivity gains, despite increased training efforts and system investments.

Workforce Performance and Service Reliability Outcomes

Following Malaysia Airlines Berhad's rapid post pandemic recovery, workforce performance displayed notable variability across operational units. Differences in experience, familiarity with new digital systems, and adaptation to reinstated procedures contributed to inconsistent productivity levels among pilots, cabin crew, and ground personnel. Research in the airline industry emphasizes that operational efficiency is closely linked to workforce capability and coordination, with variability in employee performance directly affecting service quality and overall operational outcomes (Baker, 2020). Units with stronger knowledge application and team cohesion were able to maintain higher productivity, whereas others experienced bottlenecks and workflow inefficiencies.

This uneven workforce performance was reflected in service reliability, with increasing flight delays and schedule disruptions across multiple routes. The combination of fluctuating productivity and operational complexity also contributed to cost escalation, including overtime, fuel inefficiencies, and additional ground handling expenses (IATA, 2023). In full service carriers, delays and service inconsistencies have a compounded effect, reducing customer satisfaction and increasing reputational risk. Evidence suggests that without coordinated workforce planning and effective process standardization, airlines are likely to experience recurring operational disruptions even as passenger demand recovers (Deloitte, 2022). For Malaysia Airlines, these performance outcomes illustrate the tangible consequences of misaligned learning and incentive structures on day to day operations.

Strategic Implications for Sustainability and Long Term Competitiveness

The operational and workforce challenges faced by Malaysia Airlines Berhad have significant implications for the airline's financial recovery and brand trust. Persistent delays, inconsistent service quality, and productivity variability undermine customer confidence, which can lead to reduced ticket sales, lower loyalty program engagement, and potential market share loss to competitors (IATA, 2023). Studies in airline management highlight that reputational damage in service reliability directly affects both short term revenue and long term brand equity, making sustained operational improvement critical for financial stability (Chen and Chang, 2012).

Beyond immediate financial concerns, these challenges affect organisational resilience and competitive positioning. Airlines that fail to integrate learning, align incentives, and standardize operational processes are less able to respond effectively to market fluctuations, regulatory changes, or crisis events (Lengnick-Hall, Beck, and Lengnick-Hall, 2011). For Malaysia Airlines, this means that without strengthened capabilities in knowledge transfer, workforce development, and process consistency, the airline risks recurring disruptions that can erode strategic advantage in a competitive Southeast Asian aviation market. Furthermore, long term transformation objectives, including network expansion and service differentiation, may be compromised if operational and human capital gaps are not addressed. Therefore, management decisions in the near term will shape both resilience and competitiveness over the coming years.

Way Forward

To address the operational and workforce challenges facing Malaysia Airlines Berhad and secure sustainable recovery, a multifaceted approach is required that integrates organizational learning, workforce development, operational standardization, and strategic alignment. First, the airline must prioritize the strengthening of organizational learning mechanisms. Evidence indicates that knowledge transfer and application are critical drivers of operational efficiency in complex service organizations (Argote and Miron Spektor, 2011). Malaysia Airlines should implement structured learning frameworks that facilitate continuous knowledge sharing across departments and operational units. This could include standardized training modules, peer learning initiatives, cross-functional workshops, and digital knowledge repositories that ensure critical operational knowledge is accessible and applied consistently across the workforce. Regular assessment of learning outcomes should be embedded to monitor effectiveness and identify gaps in real time.

Second, the alignment of reward and incentive systems with strategic objectives is essential. Current performance metrics emphasize short-term outputs without adequately reinforcing collaborative learning, process improvement, or accountability. Redesigning incentives to reward behaviors such as knowledge sharing, adherence to operational protocols, and proactive problem-solving will encourage employees to engage in activities that improve productivity and service reliability. Combining financial rewards with recognition programs can also reinforce behavioral alignment while fostering a culture of continuous improvement (Goh and Richards, 1997). Leadership must communicate these changes clearly to ensure transparency and buy-in from all levels of the organization.

Third, operational processes and workforce deployment must be standardized and optimized to reduce variability and improve service reliability. This includes revising scheduling practices, optimizing crew and ground staff allocation, and implementing robust quality control mechanisms to minimize delays and disruptions. Advanced analytics can be leveraged to forecast operational demand, anticipate bottlenecks, and allocate resources more efficiently. Standard operating procedures should be revisited and updated to reflect both postpandemic operational realities and regulatory requirements, ensuring compliance while minimizing operational risk (Deloitte, 2022).

Fourth, Malaysia Airlines must enhance organizational resilience and strategigic agility. This involves integrating scenario planning and risk management into decision-making, enabling the airline to respond quickly to market fluctuations, competitive pressures, or unforeseen disruptions. Building resilience also requires fostering leadership capability at all levels, ensuring that managers can make informed decisions under pressure and support employees through periods of operational change (Lengnick-Hall, Beck, and Lengnick-Hall, 2011). Embedding a culture of accountability, adaptability, and innovation will enable the airline to maintain competitive advantage over time.

Finally, the airline should strengthen customer experience and brand trust as part of its strategic recovery. Reliable operations, consistent service delivery, and proactive communication with passengers will help rebuild confidence and loyalty. Integrating customer feedback into operational improvement initiatives can guide enhancements in service quality and ensure that organizational changes are aligned with market expectations (Chen and Chang, 2012). By combining these approaches such as enhancing organizational learning, aligning incentives, standardizing operations, building resilience, and reinforcing customer trust, Malaysia Airlines Berhad can address the immediate operational pressures while positioning itself for sustainable long-term competitiveness. Executed effectively, this integrated strategy will convert lessons from the post-pandemic recovery into enduring organizational capabilities, safeguarding both performance outcomes and market reputation.

CONCLUSION

This case study highlights how Malaysia Airlines Berhad entered the post pandemic recovery period with renewed market demand but faced significant internal constraints that threatened operational stability and long term transformation. While the airline benefited from government backed restructuring, strong brand recognition, and recovering passenger volumes, weaknesses in organizational learning and reward system alignment limited its ability to translate renewed activity into consistent performance outcomes. The result was growing operational pressure reflected in productivity variability, service disruptions, and rising costs.

The analysis demonstrates that these challenges did not emerge from a single failure but from the interaction of rapid capacity restoration, workforce reconfiguration, and insufficient alignment between learning, incentives, and operational processes. In a complex and highly regulated industry such as aviation, the effectiveness of recovery depends not only on restoring routes and fleets but also on rebuilding human capital capability and organisational coherence. Without mechanisms that reinforce learning and accountability, operational knowledge remains fragmented and underutilised. The strategic implications extend beyond short term performance. Persistent service inconsistency and operational inefficiency undermine financial recovery, weaken brand trust, and reduce organisational resilience. In a competitive regional aviation market, these weaknesses can erode long term positioning and limit the airline's capacity to respond to future disruptions or growth opportunities. Overall, the case underscores the central role of organizational learning and reward alignment in sustaining performance during periods of rapid change. For Malaysia Airlines Berhad, the path to long term competitiveness depends on its ability to integrate people, systems, and processes in a disciplined and coherent manner. The decisions taken by senior leadership will determine whether the airline consolidates its recovery into durable capability or continues to face recurring cycles of operational instability.

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