

Airline Management and Organization

Chapter 2

1

Management

- **The Board of Directors.**

- The chief governing body of a corporation is the board of directors, which is **elected by the stockholders**. This board ranges in size from 3 to 20 or more members and represents a cross-section of prominent individuals from various fields, including banking, insurance, law, and accounting. **Airline boards typically include individuals from the hotel and food-processing industries, as well as former political and military leaders**. The board of directors is the chief policy-making body of the corporation and the forum to whom the president reports. This body decides such broad questions as, Should the company be expanded? and Should the company diversify into other fields? The board also has the sole responsibility for the declaration of dividends. The basic decision about a dividend involves other decisions, such as what percentage of the year's earnings should be retained for company use and whether the dividend should be paid in cash or in stock.

- **Top Management.**

- Top management is the **highest level of management in the organization**. The job of top management is to determine the broad objectives and procedures necessary to meet the goals established by the board of directors. Top management will also make recommendations to the board regarding the goals of the company. What distinguishes top management from middle management is not always clear in a given organization, but the individuals in this group usually have many years of experience in all phases of management. Often called key executives, senior executives, or major executives, they usually bear the title of president, executive vice-president, or senior vice-president.

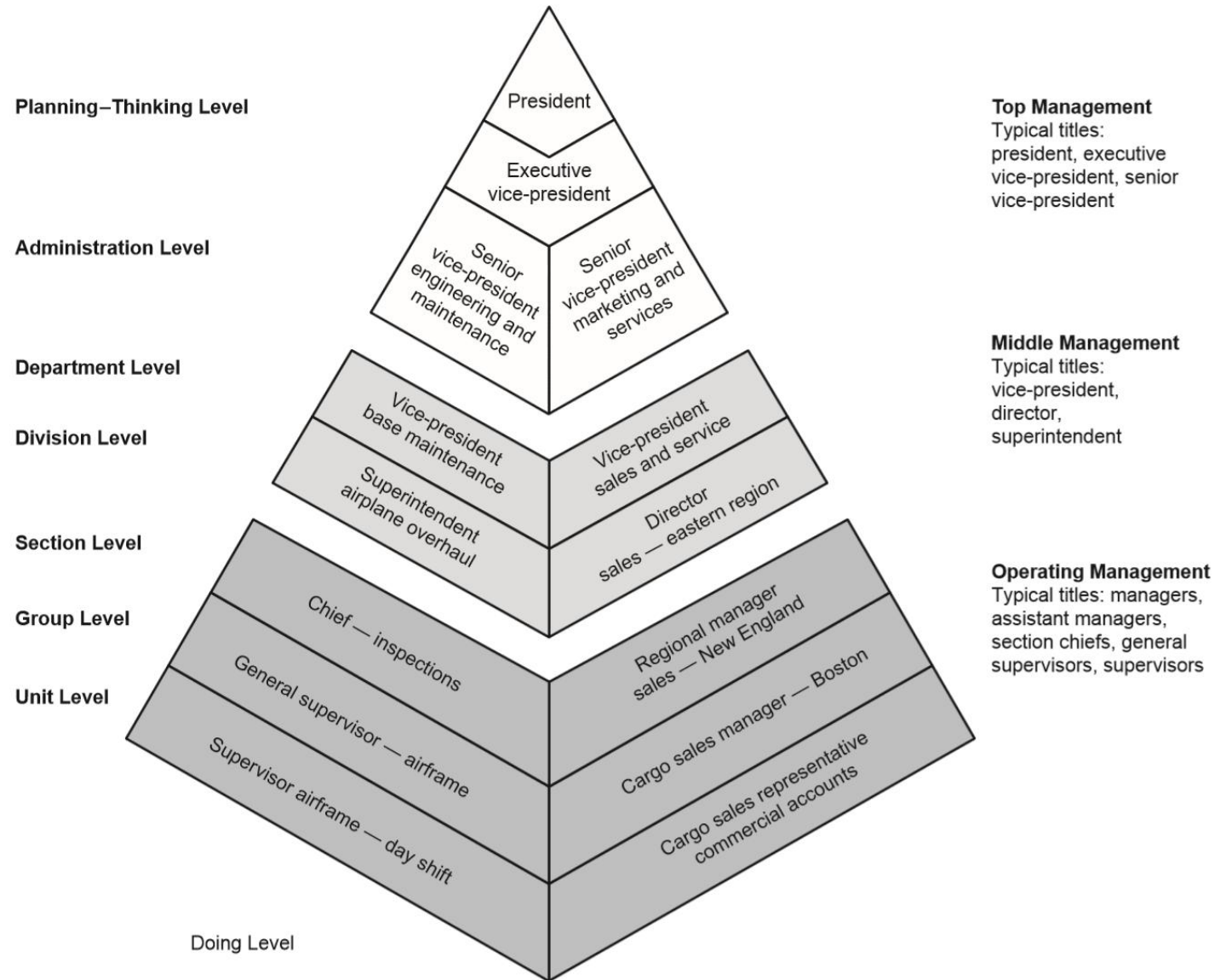
- **President.** This individual is the **chief executive officer** of the corporation and is responsible for the proper functioning of the business. In the case of airlines, this individual often is a prominent business or political leader with very little airline experience, because the president's primary role is to deal with the financial community, various segments of government, community groups, and so forth.
- **Executive vice-president and general manager.** This individual generally has years of airline experience and is **responsible for the day-to-day operation** of the company. generally, the senior vice-presidents report to this individual.
- **Senior vice-president.** This title generally is **reserved for those individuals who head up a major administration, such as flight operations, marketing, or engineering and maintenance.**

- **Middle Management.**

- Middle management is the **second level of management in the organization** and is **responsible for developing operational plans and procedures** to implement the broader ones conceived by top management.
- Middle management may be given much leeway in the development of plans, so long as the end result is in keeping with top management's requirements. Decisions on which advertising media to use, how many reservations agents are needed, and what new equipment to purchase are examples of those made by middle management.
- Middle management includes individuals who head up departments or divisions within a major administration, such as the advertising department under marketing or the flight procedures and training department under flight operations. Or it might include the simulator division head, who reports to the flight procedures and training department head.
- Typical airline titles for individuals in charge of departments and divisions are vice presidents, directors, and, in the case of maintenance facilities, superintendents.

- **Operating Management.**

- Operating management is the **lowest level in management**. It **includes managers, assistant managers, section chiefs, general supervisors, and supervisors** who head up sections, groups, or units that report to division or department heads. Examples might include the manager of display advertising or the general supervisor of the sheet metal shop. Members of the operating management group are primarily concerned with putting into action operational plans devised by middle management; generally, they do not initiate plans of their own.



Decision Making

- The steps involved in decision making include
 - (1) recognition of the problem involved,
 - (2) definition of the problem and breakdown into its essential parts,
 - (3) the attempt to establish two or more alternative solutions and to evaluate them comparatively,
 - (4) selection of the solution believed to be the most favorable,
 - (5) adoption of this solution and implementation of it through the issuing of the necessary orders.

functions of management

- The main functions of management are **planning, organizing, staffing, directing, and controlling**. The key tools of management are supervisory skills, which must be learned and practiced.

Planning

- The management process begins with planning, which sets the stage for what the organization will do, both globally and specifically goals should be established for the company as a whole and for each administration and department, as well as for individual activities.
- A goal is anything that an organization or group is seeking to do. Some goals are large, such as buying a hotel chain or building a new flight kitchen to serve a growing hub airport. Other goals are small, such as getting a report completed by Friday or handling more reservations calls per hour than last month.

- **Companywide goals.** These are the general goals an organization wants to achieve. Some examples might be “earn an annual return of 12 percent on our investment,” “capture 25 percent of the New Orleans–Memphis market,” and “develop a new promotional fare to compete with Airline X.”
- **Administration or departmental goals.** These goals should be related to—and should lead directly to—the achievement of companywide goals. Some examples might be “improve on-time performance by 10 percent systemwide during the next quarter,” “develop and implement a new training program for apprentice-level mechanics in the sheet metal shop,” and “hold flight attendant absenteeism to 7 percent.”
- **Individual goals.** These are the goals that specific persons will have to achieve if departmental, division, group, or unit goals are to be met. Some examples might be “increase my cargo sales volume by 10 percent over last year” and “process 10 percent more insurance claims per week.”

Organizing

- Organizing involves the division of work among employees and the determination of how much authority each person will have. More specifically, organizing may be defined as the process of logically grouping activities, delineating authority and responsibility, and establishing working relationships that enable the employees, and thus the entire unit, to work with maximum efficiency and effectiveness.

- The chief purpose of organization is to establish efficient lines of responsibility and authority designed to
- (1) provide supervision of all work with a maximum utilization of knowledge and experience to best advantage,
- (2) efficiently assign and schedule all work with the proper priority observed in projects to be accomplished,
- (3) provide a means whereby management can be kept informed of the efficiency and dispatch with which each particular unit is fulfilling its function,
- (4) establish a sequence of importance in job classifications so that all employees can adequately judge the possibilities for advancement.

Staffing

- Staffing **involves stationing people to work in the positions** provided for by the organizational structure. It includes defining work force requirements for the job to be done, as well as inventorying, appraising, and selecting candidates for positions; compensating employees; and training or otherwise developing both job candidates and current employees to accomplish their tasks effectively.

Directing

- Directing **includes assigning tasks and instructing subordinates** on what to do and perhaps how to do it. Because the supervisor's job is to get things done through other people, effectiveness is closely tied to communicating directives clearly and in a way that will bring about the desired action. It is essential that subordinates understand the orders, or they will not be able to carry them out. In directing people, it is important to know how much information and what kind of information to give them. Orders should be fitted to the receiver; the new employee needs to be instructed in detail, but the experienced worker may need to know only the objectives and then be capable of choosing the means to attain them.

Controlling

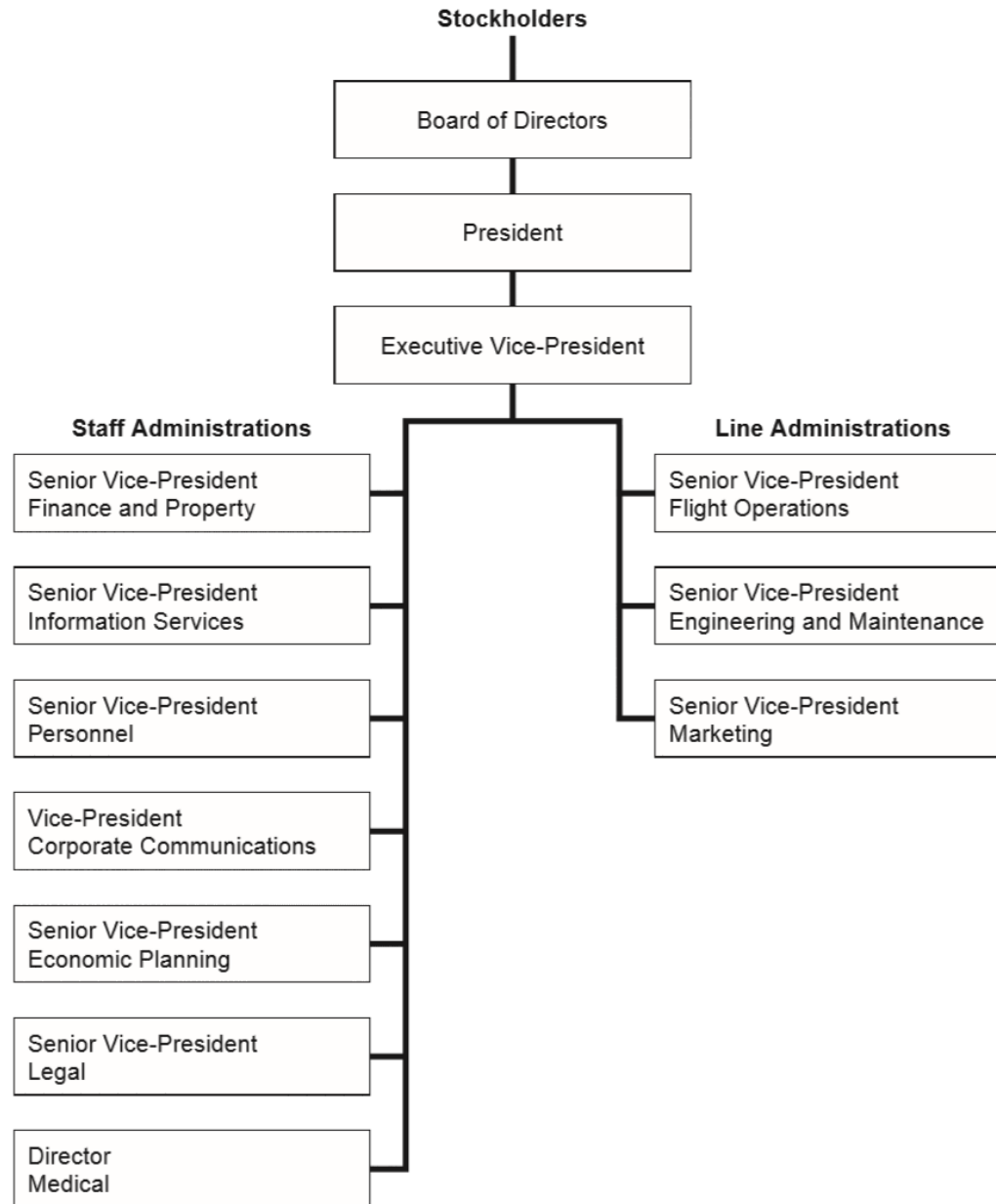
- Controlling is the **measuring and correcting of activities of subordinates to ensure that events conform to plans**. Thus, it involves measuring performance against goals and plans, showing where deviations occur and, by putting in motion actions to correct deviations, ensuring accomplishment of plans. Basically, control involves three steps:
 - (1) setting performance standards for the work,
 - (2) comparing actual performance with the standard,
 - (3) taking corrective action to bring performance in line with the standard.

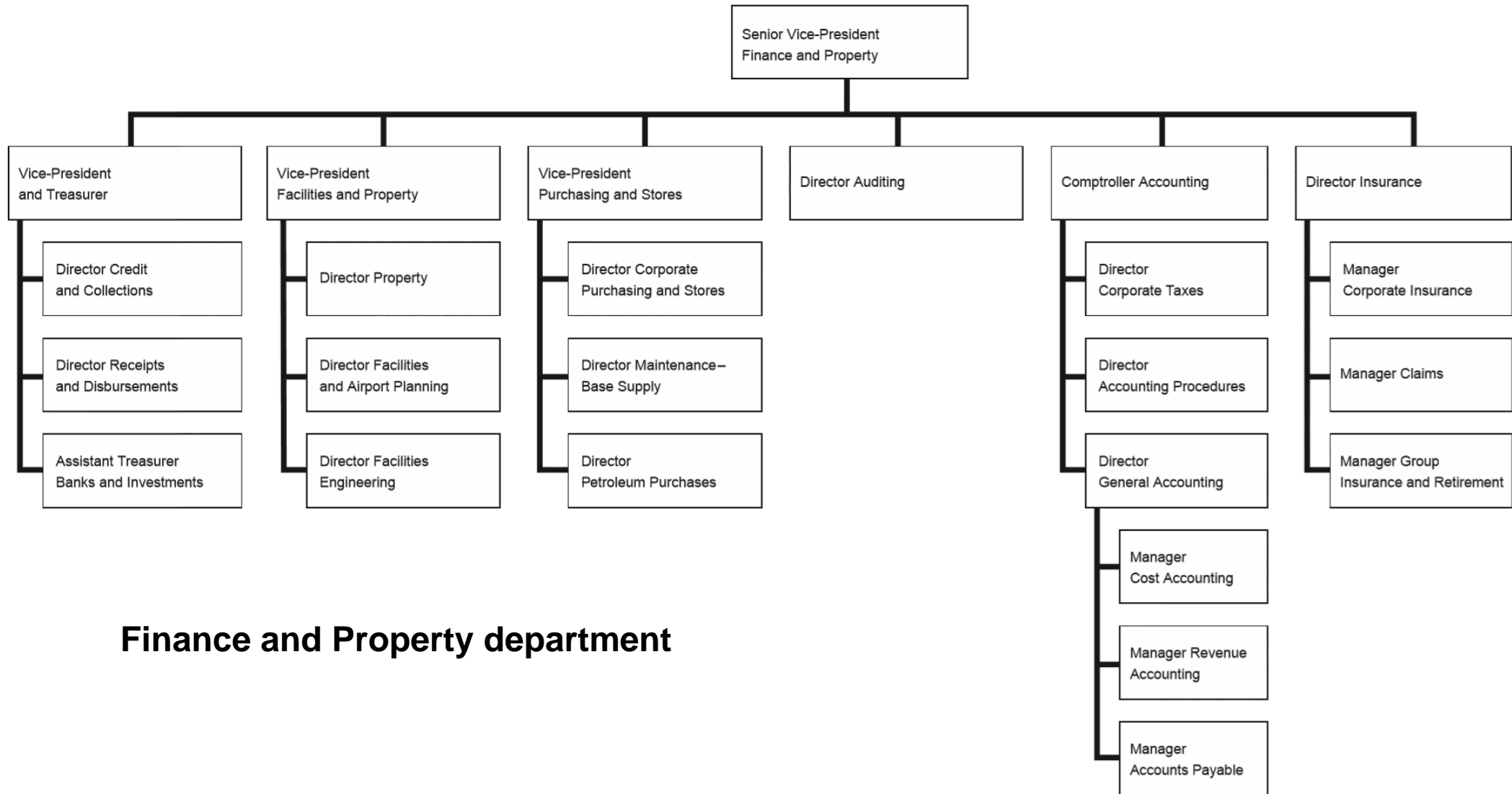
Organization

- Organization is a plan for bringing together the resources of a firm (capital and labor) to the position of greatest effectiveness, or productivity. The plan consists of the **grouping of operations (labor and equipment)** to achieve the advantages of specialization and a chain of command.

Organizational chart

- Often referred to **as the blueprint of the company**, the organizational chart depicts the formal authority relationships between superiors and subordinates at the various hierarchical levels, as well as the formal channels of communication within the company.
- The organizational chart helps managers implement organization principles, such as span of control and unity of objectives. The chart can serve as an aid in identifying such organizational deficiencies as one individual reporting to more than one boss or a manager with too wide a span of control.
- A major reason advanced for organization charting is that it boosts morale among managers and workers. **The chart helps organization members to perceive more clearly where they stand in the company** in relation to others and how and where managers and workers fit into the overall organizational structure.





Finance and Property department