

Introduction

When you run a large organisation, you are likely to have a large number of employees. The Singapore Airlines Group has more than 29,000 employees. This large workforce comprises a diverse mix of people who bring a range of skills, attributes and personalities to the workplace. They are employed in the Group's homebase in Singapore and in as many as 80 diverse locations, all around the world.

An airline's employees include people whose work is predominantly 'in the air' for example, pilots and cabin crew, whilst others work 'on the ground' like baggage handlers, check-in staff and engineers. Depending on how an airline is organised and on how much work it 'contracts out', it may also employ chefs, cleaners, telesales personnel, insurance experts and accountants. Some airline employees will spend nearly all of their time in offices, whilst others work in passenger terminals, cargo terminals or aircraft hangars. Somewhere behind the scenes there will also be a group of managers who make sure that the airline and its many operations run smoothly. All these people are of different nationalities.

This case study shows how one large company, Singapore Airlines, organises itself to make the most effective use of its resources, particularly its human and fiscal resources to achieve its organisational goals.



Organisational systems



In the most efficient organisations, all employees should know and understand their role and how it fits into the work of the organisation as a whole. They will also want to do the best that they can, not only in the interests of the organisation that employs them, but also in their own interest. With such a large and diverse group of employees operating in widely differing working environments, giving each of them a sense of belonging to a community with a common goal is a huge organisational undertaking.

Modern organisations like the Singapore Airlines Group need a structure that enables people to work and deal with

one another in a co-ordinated and co-operative way as they work towards the goals of the business. An organogram is a chart that shows how an organisation is made up and how its systems fit together. Organisation charts help to distinguish between the levels of post as well as the layers of authority and responsibility attached to each post.

Dividing up an organisation

A very small business does not really need a formal structure and is unlikely to have one. As it grows, however, some sort of formal structure will be required. As it grows even larger, its ability to construct a proper organisational structure may well determine its fate. Departmentation is the process by which certain activities or parts of an organisation are grouped and then assigned to managers and other staff. How this is done depends upon a range of issues related to each organisation. Ideally, the chosen structure will:

- include every part of the organisation
- relate each part to every other part



- show where the authority and responsibility of different individuals and their departments lie
- enable everyone within the organisation to assess their roles and status.

There are five main methods of grouping different parts of an organisation. These are by:

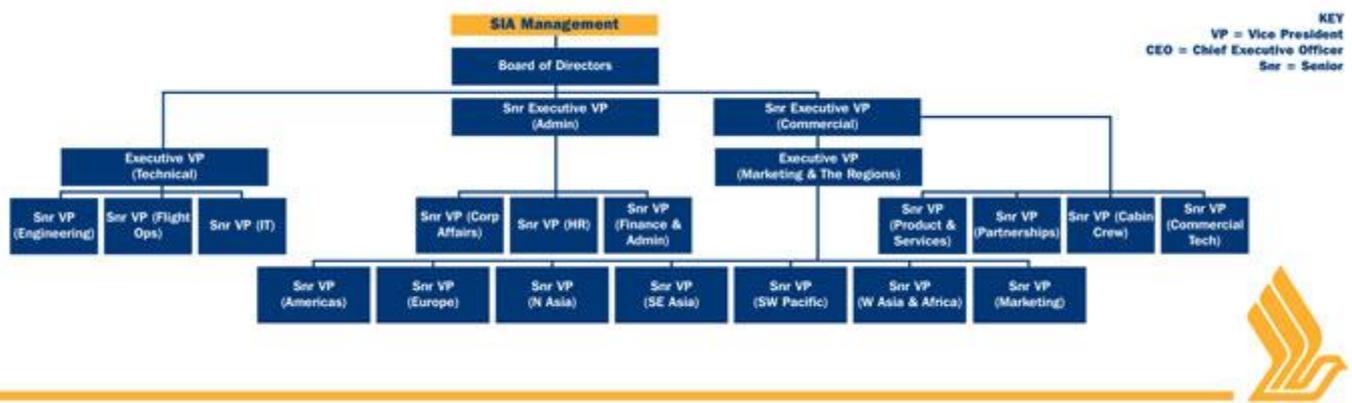
- Function - Dividing the organisation into broad sectors that reflect the specialism or function of each sector.
- Product - Basing the structure around products, with a different division for each type of product.
- Process - Creating a structure that mirrors the particular steps or phases of the production process.
- Geographical area - Relating parts of an organisation to the activities they provide for each geographical region.
- Matrix - Setting up a mix of the above methods.

When finalised, a company's organisation chart will show:

- how various parts of the business are linked together
- the principal lines of decision-making
- the allocation of authority and responsibility.

Running a service business

Airlines operate in a competitive environment. A key area of competition for them is the quality of customer service. Customer service helps to distinguish one airline from another, and to give one an advantage over the other. In order to provide the type of service that customers want, airlines need to be flexible. They must allow employees scope to make decisions that take into account changing circumstances in a variety of environments. It is mainly for this reason that Singapore Airlines gives considerable autonomy to each part of the organisation.



Decentralising a business

There are many issues associated with decentralising a business. These include:

- Maintaining lines of communication: The structure must continue to provide information for employees so that, even though they work for just one unit, they know how other parts of the enterprise are working to serve the customer.
- Staff motivation: The structure must provide job satisfaction and be capable of motivating all employees, whatever their job.
- Achieving Goals: Employees need to know the goals set for them.
- Thinking globally whilst acting locally: Employees need to respond positively to local needs whilst remaining conscious of the global nature and standard requirements of the Group's activity.



In developing its organisational structure, Singapore Airlines has put these considerations at the forefront of its thinking, placing an emphasis on empowering individuals to make decisions. This enables employees to make decisions which allow them to respond to changing conditions more effectively.

Accountability



The several subsidiaries of Singapore Airlines today employ around half the people within the Group. Singapore Airport Terminal Services (SATS) was the first subsidiary to be created, in 1972. Although SATS is a separate company with its own stock exchange listing, the majority of its shares are owned by its parent company, Singapore Airlines. With a focus upon areas such as passenger ground services, cargo services, security services and catering, SATS has total autonomy; it makes its own business decisions.

The independence given to SATS has enabled it to focus upon developing expertise within its own specialised areas of operations to a level that is also attractive to other airlines. As a result, SATS is able to sell services to other airlines such as Qantas and British Airways. By doing this, it has provided a new revenue stream for both itself and the Group.

Silkair is a highly focused airline serving the smaller cities and towns of South East Asia. It uses Airbus A319 and A320 aircraft, and has a lower overall cost structure than that of the parent company. SIA

Engineering provides a range of engineering services for the airline itself and other customer airlines.

These subsidiaries have distinctive conditions of service and methods of operation that apply to the specific categories of staff they employ. In dividing up the Group into distinct business units, one aim was to make each operation more profitable. Each separate entity is a profit centre whose performance can be measured. With independence has come accountability; managers and staff must be willing to accept responsibility for how their subsidiary performs and for any errors made.

SIA management

The functional organisation chart shows lines of authority between different managers. It also illustrates the flat structure of Singapore Airlines; there are few levels of authority within the hierarchy. By creating a flatter organisational structure, it was possible to push autonomy downwards. This creates a more dynamic and flexible business that empowers people to make decisions in response to customer needs and to changes in the business environment. This in turn leads to job enrichment; all jobs at all levels are made worthwhile and more satisfying.

A key problem that can result from organising by function is that people become compartmentalised. They come to know one part of the business well, but have no experience of the business as a whole. This may limit not only their understanding of it but also their empathy towards it. To avoid this, Singapore Airlines has a policy of moving key staff around, using a process of job rotation. This process has provided managers with cross-functional expertise and a better knowledge of the business as a whole. There are limits to this practice; it cannot be applied to key specialist areas such as engineering, for example.

Overseas operations

As a global business with operations in more than 80 countries, Singapore Airlines has also divided up the overseas business by geographical area. For each region, it has created a senior vice president with authority for that region. Being organised geographically makes it easier for a large company to:

- respond quickly to local issues and problems
- build up a knowledge of specific markets
- tailor its strategies to local conditions, laws and customs.

Within this structure, general managers for each country have the independence to make their own decisions, allowing the organisation to respond more quickly and appropriately to market conditions.



Conclusion

Singapore Airlines has looked to provide an efficient operational structure that identifies clearly where decisions are made, by whom and with regard to which sections of the business. As the Group pursues its corporate objectives, it is looking to free up its managers to make decisions within their own sphere of influence, without continuous reference back to headquarters.

At the same time, the Group wishes to retain a sense of common purpose. For example, the Group magazine 'Outlook' helps to bring all employees together by providing information upon a range of common issues, including promotions and service anniversaries. Wherever they work, every employee within the Group is united in a number of other ways, through the Singapore Airlines song, through wearing similar, but defining, uniforms and through sharing a common business culture philosophy and goals. There is profit sharing, through bonuses and share options. This gives staff a further incentive to ensure that the business as a whole is profitable. As markets and opportunities change over time, it is important that the Singapore Airlines Group has a structure that allows managers and staff to quickly respond to business threats and to exploit new areas of opportunity to move the business forward.

