
Optimization of Airline Organizational Structure

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Following article is focused on comparison of the two airlines organizational structures and to optimize the design of the organizational structure of the traditional airline. For comparison were used structures of Air France-KLM and Lufthansa, which serve to give a practical structure example of companies today. Finally, the design of optimal organizational structure of a classic airline is given.

Keywords: organizational structure, airline, division, responsibility

Introduction

The organizational structure of the company in general, is a set of elements and relationships between them. The airline is the set of elements, which depends on the range of activities provided by the company. Contains relations between elements, hierarchy, division of responsibilities and provides the conditions for the functioning of organized society.

1. Comparison of organisational arrangements in lufthansa and air france-klm airlines

Air France-KLM operates on the basis of functional structures, where various sections dealing with the activities of the company are

responsible directly to the Executive Committee. Conversely Lufthansa uses the above-mentioned modern system group, which is divided into relatively independent business units. It is thus divided into unit nuclear aircraft carrier, carriers and several regional units providing services for the catering, information technology, logistics, repair and maintenance of aircraft and financial services. The company is certainly satisfying this system, as evidenced by the prosperity of the company and its reputation. Undoubted advantage of using this system is less burden on managers who have a management group engaged in more or less strategic issues. On another level, the individual units are already executives in operations, finance, human resources, product and sales essentially



governed by these strategic decisions and apply them to specific business process business unit. Thus the focus is more accurate and allows more detailed focus on the provision of services, and ultimately more profit.

Logically, however, the comparison raises the question of why one company has an organizational structure based on a functional basis and the other on the basis of a balanced business units. Companies have to ask fundamental questions to find an answer to the question of what organizational structure is most appropriate for their work. These issues are related to their future customers - who will be their customers, which will be needed, defining who does not belong to the customer, provided services - which will be able to offer customers, how they differ from the competitors, which services they will provide and which in turn will be performed by a third party, or outsourced etc. Outsourced services are the most distinguishing factor when a functional organizational structure is used. Lufthansa provides catering services, information technology and so on, through their separate business units operating somewhat independently across group. In the case of Air France-KLM, the situation is aggravated by the existence of two carriers merged in 2004. A functional structure is used. The company also provides catering services through Servair, by third party. (Heynold, Rosander, 2006; Rozenberg et al., 2014)

2. The business unit model

In recent decades competition in the airline industry increased significantly, resulting in the intensified strategy of airlines to stimulate growth, increase costs and, in particular efforts

to achieve the most important goal of every business unit, creating higher profits. In an effort to tackle the low-cost carriers, some companies have created their own low-cost or regional carriers. This step is resorted as described in the work of Lufthansa in which the Company operates a regional program called the carrier Lufthansa CityLine. In pursuit of higher profits to traditional airlines in addition to creating a regional carrier also generate ancillary business through diversification. Thus gaining a wider customer base, they provide services such as repair of aircraft and catering, to the other air carriers.

Airlines are or have been organized into functional lines, in which the activity units ranging from marketing to flight operations reporting directly to the Executive Director of the company. Over time, obstacles in determining the company's management overshadowed their ability to respond quickly to external conditions. Focus on keeping only passenger airline often done their attention to the emerging opportunities in the lucrative business. For these reasons, some big airline groups have decided to take in their organization significant change, which was directed to refund total functional line to a greater number of business units. These units are characterized by greater autonomy and accountability for their performance. The disadvantages of this important step, the company belonged to the time needed to change, in some cases, even years, but eventually outweigh the benefits sooner, mainly in terms of adding value to the company. This model helps companies to respond more effectively to market conditions, middle managers guidance on profitability, enables managers of business units negotiate favorable working conditions and supports the development of talented young leaders.



Philosophy approach to division business units within the company adopted as its in the 90's of the 20th century and Lufthansa, which is discussed in detail in the author of the thesis in the previous chapters. In addition, Lufthansa may be mentioned the company as Air Canada, Qantas Airways, SAS and Singapore Airlines.

Airlines that transformed its organizational structure in the above form must avoid the pitfalls that can lead to negative effects. The main task is to maintain them becomes autonomy of business units while maintaining their cooperation, which is essential for achieving the profit of the group. Poor coordination can cause weakening of the strategic decision-making in the network of flights and aircraft fleet. If coordination fails, duplicate function will multiply, bureaucracy will increase and costs will rise. Management of group gets too much power to decide and thus undermines the responsibility of business units.

It is understandable that a functional model of the organizational structure of airlines didn't disappear completely. It is used by carriers who outsource most of its activities, or enter the power to third parties. These activities are mainly catering and maintenance. Companies do so mainly because of the lack of sophisticated information system that is required to manage complex structure, or they serve homogeneous customer segments. However, as mentioned earlier, functionally organized companies often lack the ability to respond to market demands constant growth. Executives and managers aren't responsible for profitability, and so absurd and often costs are rising uncontrollably. It is for these reasons that is advantageous for airlines to adopt a new structure consisting of separate business units, each of which has its own decision-

making powers and responsibility for their profitability. This model is in many ways can be compared to the classical model of business units of diversified companies and banks, where units operate independently on day to day basis and make their own routing strategies. In one important way, the model has be different. This way is a mutual cooperation between these somewhat separate units. This happens for example in planning flights across the number of routes where non-use of the entire network, resulting in inefficiencies and lost potential. For these reasons is for modern airlines better to create a kind of hybrid organizational structure, in which, while maintaining the independence of the units at the same time respecting their strong ties ensure interconnectivity.

For example, independence for Lufthansa service maintenance and repair for projecting a separate business unit under the name Lufthansa Technik, meant an increase of 10% revenue share to 35%.

Director of new business strain on the will spend a few hours of the week with delegation to units leaders tactical decisions on the amount and type of aircraft to be added to the established trails. Once the management decision-making responsibilities will fall on the daily operations, they can focus on the business strategy. It also helps to reduce the implementation cost of such a structure. Managers may, in fact negotiating and concluding contracts in smaller wage argue that they must be in line with competitors. This happens especially in the case of units, catering and ground handling. Another advantage of the structure divided into business units is transparency. This segmentation enables company management to assess each unit in terms of profitability and a much more detailed look at how functional



layout. Transparency promotes accountability for performance, and better deployment of capital. Even in the case of Lufthansa's senior management support higher investment to regional airlines belonging to the group. Have done so precisely because of the higher return on investment in these regional companies. Finally, the break down of the organizational structure for the independent management units attractiveness leading of the units. In societies in which the catering department was a part of the initial functional structure, increased interest in its leadership with the development of the catering division as a separate entity. The same applies to their profitability. With the emergence of the business unit increases the profitability of the activity.

Making the organizational structure of the airline is a very difficult and complex process in which there are various problems. In particular, it is an underestimation of the importance of coordination between the newly created organizational units. As a result it may be competition between the companies themselves within the group. In other cases, managers may tend to optimize unit costs and revenues at the expense of the entire group. Strain can also lead to duplication of support functions, where the unit will create unnecessarily large number of jobs in accounting, human resources and others. It is therefore very important and necessary to the introduction of a new organizational structure and implemented to find the right balance of decision-making freedom of individual business units. Common problems have especially top managers, whose decisions have a direct impact on the company, and who had to leave the establishment of a new major part of their decision-making powers to the management of the individual units. This fact

often leads to even leave the managers of the company. In order to avoid this problem the organization must establish a clear division of responsibilities between the various business units and the corporate center and establish formal links between them to ensure smooth cooperation. (Rozenberg, Korba, 2013)

3. Defining roles in the organizational structure of business units

Clearly defined roles are essential to the functioning of autonomous business units within the group. One of these types of units are air carriers, which are focused on specific customer segments, and together they can create a strong enough base of aircraft to meet demand. Airlines are supported by other units, such as catering and maintenance. All support functions performed in a company should be in this case, the most decentralized, so instead of these specialized units should be carried out in business units. This includes accounting, budgeting and performance evaluation of mid-level managers. When a new corporate structure is introduced, center will set on the strategy and sets out the optimum number of aircraft, the best combination of aircraft types and looks for a balance between the number of purchased and leased aircraft. Aircraft account the largest investment of the company, therefore this is a very important decision, which affects all units in the group. In addition, coordinated strategy for aircraft enables top management to move aircraft between units as needed, depending on demand. Like the issue of aircraft, should be the central question addressed by the design of the network of flights, because of the conflict reasons. When does each carrier submits its own optimal network of flights, in principle, would want to fly on the same attractive routes

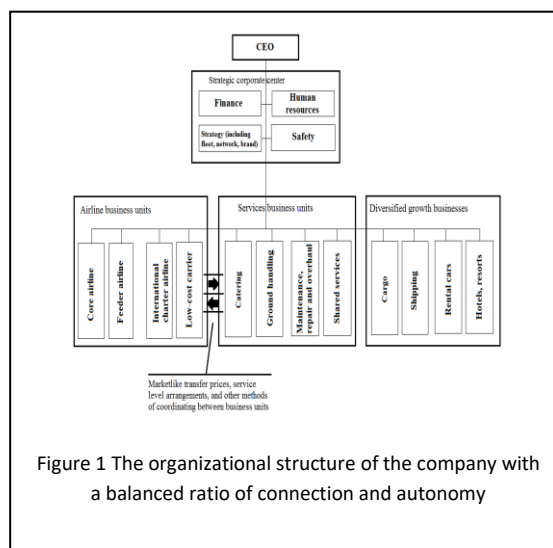
as well as other carriers. It must therefore be crucial center, which must decide where airline will fly, while taking into account the overall network profitability and strategic goals of the group. In that case, there is not a single unit harmed because even if forced to fly on less profitable routes, its projected revenues are in line with results obtained each year. Center of the group must manage the use of the brand and allow that the unit can display the name of the group, it must also see, if the units that bear the name of the central meet the standards of the parent company. For attracting a customer is for each carrier and service provider better use of the name of the group, such as ground handling can benefit more from the impression of an independent service provider, and therefore chooses a different name from the central. Finally, it must also be centralized financial control to ensure performance measurement business units and ensure the integrity of accounting.

4. Coordination of business units

Individual units operating within the coherent whole business groups need to be given with instructions to communicate each other. To create the right economic incentives, the group introduced the conversion prices for major products and services, which are used internally within the group. Determination of the conversion price can be lengthy, and therefore of the center should set out clear conditions and detailed procedures for their creation. Once created, has also regularly supervised or reflect current costs and market prices.

Experience with the transition to an organizational structure composed of separate business units demonstrate its advantages. Traditional airlines provides this arrangement

with the opportunity of compete with low-cost carriers and strengthen their position in the market, which is dominated by high fuel prices. The basis for the effective functioning of the model is to find a balance between the need for autonomy units and their coordination, center of corporation should focus on strategic goals and operational activities must be left to individual business units.



Conclusion

We consider Lufthansa as a model for the advancement of the real use, whose organization helped in no small measure to our design optimization of the organizational structure of traditional airlines. Our task was to design an optimal solution for the organizational structure of traditional airlines. Since this issue is for the most part in the solution of the companies We tried to find at least a general model of an optimal organizational structure.

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