

2.2A: Organisational Structure: Activity



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2.2 ORGANISATIONAL STRUCTURE: ACTIVITY A

Read the case study below and answer the questions that follow.

AAS MUST CHANGE STRATEGY, SAYS NEW BOSS



Loss-making Australasian Airlines Systems (AAS) must raise labour productivity and double services in the region to become profitable, its new boss said in recent remarks. The present hierarchical structure was unsuitable as operating costs were far too high, managing director Jessica Miller said in an interview with the Sun newspaper. Productivity and customer service were also “disappointing” and had contributed to an overall decline in performance, she said.

“I liken AAS to a house that is supposed to be double storied but instead has five stories. In such a situation, the position is untenable,” she said. “We need to reduce the number of storeys. AAS’s operational costs are higher than that of its competitors ... each department does not operate according to expectations.” She said AAS aircraft were stationary for too long and were under-utilised. She also voiced concern over poor productivity in the catering division. The airline has now reported losses for four straight years and has borrowings totalling AUS\$6.35 billion. On a suggestion that the airline should decentralise and separate its international and domestic operations, Mrs Miller said that this was being studied, but the management found that “separation is not the best option”.

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QUESTIONS: 26 MARKS, 50 MINUTES

1. Define:

- a. Hierarchical structure
- b. Productivity

[4 marks]

2. Analyse two possible reasons why the current hierarchical organisational structure of AAS could be contributing to lower levels of labour productivity compared to that of other Airlines.

[6 marks]

3. In the eventuality of AAS adapting its organisational structure by delayering its organisational structure from five to two level of hierarchy, evaluate the impact on

- a. AAS staff
- b. Business efficiency

[8 marks]

4. If a decision were to be made to split and operate separately the domestic and international divisions of the airline, examine the likely impact on

- a. AAS staff
- b. Business efficiency

[8 marks]