

Organization structure between hong kong aircraft engineering haeco and china air...

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1. Objectives

The intention of this report is to discover the organization structure between Hong Kong Aircraft Engineering Company Limited – HAECO and China Aircraft Service – CASL. Discover and study the two organizations' approach to human resource management, motivation, communication, leadership, learning and knowledge management, information technology and culture and diversity. In the report we make use of the theories and practices learnt from Management & Organizational Behavior to make the analysis and show how the understanding of theory is relevant in practice.

2. Business Background

2. 1 HAECO – General Background

The Hong Kong Aircraft Engineering Company Limited (HAECO) is a key company of aircraft repair, maintenance and overhaul services in Asia. It

provides complete set of aeronautical engineering services to operators and airlines since 1950.

When the company has signed a 20-year franchise agreement with the Hong Kong Airport Authority, it was a new milestone and became the only full services provider of the new International Airport at Chek Lap Kok, Hong Kong.

HAECO is a holding party in many aircraft engineering and interconnected companies in various countries, including Singapore and mainland China. HAECO over the years has expanded its business of Hong Kong SAR into Mainland China with the company of Taikoo (Xiamen) Aircraft Engineering Co. Ltd. (TAECO) at Xiamen, Shandong and Fujian TAECO Aircraft Engineering Co. Ltd. (STAECO) at Shandong. Recently, in Sichuan, a joint venture “ Taikoo Sichuan Aircraft Engineering Services Co. Ltd.” has been formed. Also HAECO operates maintenance services in Singapore – Singapore (HAECO) Pte. Ltd. (SHAECO). In addition, HAECO has set joint ventures with Original Equipment Manufacturers (OEMs) in providing full care services to its customers.

The Swire Group, together with Cathay Pacific Airways, provides management support and holds the major interests in HAECO.

HAECO what's more owns 45% shares of the (HAESL), Hong Kong company Aero Engine Services Limited is a joint venture with Rolls-Royce plc and SIA Engineering of Singapore, mainly providing overhaul service of Rolls-Royce Trent 800, 700 & 500 series and Rolls-Royce RB211 jet engines. 1

2. 2 CASL – General Background

China Aircraft Services Limited (CASL) is a joint venture company between Hutchison Whampoa (China) Limited (20%), China Airlines (20%), United Airlines (20%) and China National Aviation Corporation (Group) Limited (40%). CASL was founded in 1995 mainly to provide the services of aircraft cabin cleaning, line maintenance and ground equipment supporting services at International Airport Hong Kong.

China Eastern Airlines, China Southern Airlines, Air China and Xiamen Airlines have representations in the company through CNACG's 40% shareholding ownership of CASL.

Despite of operating in Hong Kong, CASL and China Eastern Airlines founded a joint venture company – Shanghai Eastern Aircraft Maintenance Limited (SEAM) offering aircraft ground equipment supporting services and line maintenance at International Airport Shanghai Pudong since 2003.

With the opening of its aircraft maintenance hangar at International Airport Hong Kong in May 2009, CASL is able to provide a superior level of aircraft maintenance services to widen their airline customers in together with aircraft heavy maintenance and line maintenance.

Now CASL has more than 1000 staffs with widespread experiences and wide-ranging of abilities. The company is fully pledged to providing the best quality of services to their customers in focusing on customer care, continuous improvement and technical development. 2

3. Organization Structure and Design

3. 1 HAECO – Organization Structure and Design

HAECO Organization Chart 1

In the formal configuration of an organization chart (b.) has to be divided between its members and diverse jobs interconnected to each other. The distribution of work and the combination of people should, whenever possible, be organized by reference to some general characteristic which forms a logical link among the activities involved. It is necessary to maintain a sense of balance among an importance on subject matter or role at higher levels of the organization, and specialization and concern for staff at the operational level.

(b.) Formal configuration of an organization chart 3

With comparing the Formal configuration of an organization chart, more or less HAECO organization chart (a.) is the same with it. In division by service, the contributions of diverse specialists are integrated into division for a complete cycle of work. This form of combination is more common in the larger diversified organizations like HAECO and may be used as a way of dividing departments into different sections.

In HAECO line relationships, power flows vertically downward through the structure – the chain of authority – for example, from the CEO to COO, director to managers, section heads, supervisors and staffs. There is a direct relationship among each other which responsible to only one person. Line

relationships are united with the departmental division of work and organizational control.

Line managers have the responsibility and authority for all the activities and matters within their own department.

3. 2 CASL – Organization Structure and Design

(c.) CASL Organization Chart 2

(d.) Flat hierarchical structure

The grouping of width of control and chain of command determines the pyramid shape of the organization and whether the hierarchical structure is “flat” (d.) or “tall”. Also the pyramid represents the structure of authority. Broader spans of organize and few levels of authority result in a flat hierarchical structure (d.), like CASL. In a flatter structures that will have a lower managerial costs, good communications and a short length of the chain with fewer levels among the top and the bottom of the hierarchical pyramid. 4

Lateral relationships exist among individuals in diverse sections or departments, especially on the same level. These lateral relationships are based on discussion and contact that is to maintain synchronization and efficient organizational performance. 5

3. 3 – Compare the Similarities and Differences of Organization Structure between HAECO & CASL

Similarities

With comparing the organization structure between HAECO & CASL.

Generally, both companies apply the basic configuration of the formal organization chart (b.) that I mention before. In division by service, the contributions of diverse specialists (marketing, financing, production) are integrated into division for a complete cycle of work. This form of combination is a common in well developed organization. In line relationships, both companies' authority flows vertically downward through the structure – the chain of authority – for instance, from the CEO to COO, director to managers, section heads, supervisors and staffs. Their managers should have the responsibility and authority for all the activities and matters within their own department.

Differences

When comparing two companies, we know that HAECO is a “ giant” aeronautical engineering services company since 1950 with the supporting of Swire Group. On the other side, CASL is a relatively “ small” company since 1995. Most organizations necessarily engage a degree of decentralization arising from such features as an increase in size, the geographical separation of diverse parts of the organization, or the need to extend activities or services to remote areas. This is the now situation of HAECO Company. With the policy of decentralization HAECO Company make the advantage of decision to be made closer to the operational level of work.

With the “small and flat” hierarchical structure company CASL, it makes the advantages of centralization. It makes for easier co-ordination and administration control; and more important is the easier implementation of a common policy for the organization as a whole.

4. Approaches to Management & Organizational Behavior

4. 1 – Motivation

4. 1. 1 – Motivation of HAECO

HAECO knows that the development of its staff is the key item to the sustainable expansion of its business. HAECO places great highlighting on rewarding, supporting and motivating staff to build up their potentials. In addition, it gives equal opportunities to all employees, offering them a competitive reward and benefit packages. It tries to provide a good environment that promotes diversity, safeguards safety and health, and encourages an proper work-life balance and long-term career growth.

By the concept of view F. W. Taylor believed that in economic needs motivation; peoples would be motivated by gaining the maximum and possible pay through working in the most productive and efficient way. Furthermore F. W. Taylor mentioned that, motivation was a comparatively straightforward issue – what the employees wanted from their employers more than anything else was high pay. 6, 7

(e.) Maslow’s hierarchy of needs model⁷

In the model of Maslow's hierarchy of needs (e.); when a lower " need" has satisfied, it is no longer a strong motivator. The needs of the upper level in the hierarchy become the motivating and demand satisfaction. Simply say people are only motivated by unsatisfied needs. 7

In HAECO not all the people followed the model of Maslow's hierarchy of needs (e.);

These include the following:

Staffs in the same level of Maslow's hierarchy, the factor of motivation will not be the same. Staffs may found satisfaction in many different ways, for instance, their esteem needs.

From the view of Maslow, satisfaction is the main motivational result of behavior. However, job satisfaction may not a necessarily lead to get better work performance.

4. 1. 2 – Motivation of CASL

(f.) Herzberg's two-factor theory 9

In CASL, Herzberg's two-factor theory (f.) can be applied; two diverse sets of factors affecting work and motivation. This led to Herzberg's two-factor theory of job satisfaction and motivation. One set of factors if missing then cause dissatisfaction. One set of factors are hygiene or maintenance, they serve to dissatisfaction. Another set of factors, if present, serve to motivate the human being to higher performance and effort. These factors are

interconnected to job content of work. They are growth factors or motivators. The strength of the factors will have an effect on the feelings of satisfaction; no satisfaction, other than not dissatisfaction. 9

4. 2 – Leadership

4. 2. 1 – Leadership of HAECO

HAECO emphasizes goals and objectives, work task and outcomes and mobilizes people toward a vision. It concentrates on continuous improvement and quality orientation and provides the best service to the customers. It is striving to widen their vision by concentrating on individual company on a stand-alone basis and developing the strengths and capabilities of the individual group companies to serve the customers. It promotes teamwork and responsiveness to customer needs. Its employees are competent and driven to accomplish the tasks in hand, achieve a high level of production and get results or profits. Self-interest of followers may exist in companies.

HEACO pursues Transactional leadership which is based on legitimate authority within the bureaucratic structure of the organization since it focuses on the clarification of goals and objectives, work task and outcomes. It creates a relationship of mutual dependence and an exchange process of: ‘I will give you this, if you do that’.

4. 2. 2 – Leadership of CASL

CASL promotes innovation to drive future business success as it offers change as an opportunity for a different business and better services.

Especially when airlines encounter the harsh business environment, CASL as a service provider understands only innovative ideas to create a new vision and better service practice so as to balance the interests of all parties and serve the airline most cost-effective. Its core values include Safety First, Positive Communication, Innovation, Resources Management, Improvement on Continuous Basis, Teamwork and Satisfaction of Customers.

CASL also pursues Transactional leadership with change element. It tends to be authoritative leadership. It mobilizes employees toward a vision. It works best when changes require a new vision or when a clear direction is required. For example, using “come with me” to lead employees. Employees are trained to be self-confidence, innovative and able to adapt changes.

4. 3 – Learning & Knowledge Management

4. 3. 1 – Learning & Knowledge Management of HAECO

HAECO formed a Technical Training Department since 1957. It is a department that responsible for provided all technical training and supporting needs within the Company. It also gives services to the airlines, business partners and other maintenance organizations. It always keeps the most updated standards of training materials as approved by the airline customers, regulatory authorities in the industry.

The scope of the training includes basic license and aircraft types training which covering most of the Boeing and Airbus commercial aircraft types.

Training is a process of learning that means change of a relatively permanent. Individuals may be different because of some short-term factors for instance alcohol or tiredness.

(g.) Theory of operant conditioning B. F. Skinner

Skinner made an experiment on animals that showed the effects of punishment and reward on animals learning. He proved a behavioral response would be learned as a reward or reinforcement was given and S&R bonding would be broken with punishment.

In HAECO, it is a real fact that staffs are willing to have training because of reward such as a promotion. When a punishment came then S&R bonding would be broken; for instance if a punishment like ' increasing of work loading and without promotion or higher salary' after training; no one would like to have a training any more although many course are provided. 10

4. 3. 2 – Learning & Knowledge Management of CASL

CASL provides diverse training to enhance and support their staff both technical and non technical skills. Supported by their own training professionals, CASL also ensures that the training is meeting the requirements of customers, aviation regulatory.

Some non technical training such as human factors, team building and business training are provided for a long term development plan.

As CASL was founded in 1995, compare with HAECO in 1950, CASL is a flash company in the field of industry. Their approach is becoming a learning organization defined as a place where company expands their capacity to form the outcome they desire. The learning organization (CASL) sounds ideal; the picture that is an organization is open-ended and highly flexible. It is able to transform itself continually and learn from experience also always gets ready to take the advantage by changing of external conditions.

4. 4 – Human Resource Management

4. 4. 1 – Human Resource Management of HAECO

Talent Development

HAECO put the accent on staff's recruitment with a diverse range of specialized skills and talents. It operates diverse types of training schemes to train staffs to be professionals or specialists in the aircraft maintenance industry. It aims to help staffs realize their full potential; also develop their career.

Base on the philosophy of human resource management (HRM); the function of training is to develop skills and knowledge, also to change the attitudes. It is the most important potential motivator. This may lead to lots of possible benefits for both organization and individuals; for instance training can increase self confidence, commitment and motivation of staff. In addition

training can give a feeling of individual achievement and satisfaction, also widen opportunities for career progression. 11, 12

4. 4. 2 – Human Resource Management of CASL

After the opening of the new aircraft hangar in 2009; CASL has a great demand for professionals. Their Human Resource Management planned to recruit many technical staffs and engineers to meet their operational requirements. Also CASL will establish a technical training school, which training 100 technical staff each year.

CASL, Chief Executive Officer of Zhang Qian Hua Fei said that an excellent experience staff in aircraft maintenance industry is about 10 years to develop and training will help to build up the capacity of new staffs that is the company long-term key to future expansion and success.

From the view point of HRM, training ought to be viewed like an investment in staff. This is important, particularly in time with the fast change of technological, social and structural change. Training also requires the support of line managers, finance, resources, skilled staff, time, and a supporting system. There has to be a real commitment – from top of management just like the Chief Executive Officer of CASL has a ‘ real commitment’ with their staff.

Training not to be think of an isolated activity, segregated from daily working.

4. 5 – Culture & Diversity

4. 5. 1 – Culture & Diversity of HAECO

HAECO is a leading provider of aeronautical engineering company in Asia. The Company's culture is operating in a competitive environment, wide range of maintenance activities from cabin to technical servicing and aircraft release. The company provides services for about 80 airline customers and also handling about 90, 000 flight movements in a year.

The HAECO group has employed over 12, 000 staffs, of which 5, 700 base in Hong Kong.

For Kandola and Fullerton define diversity is a basic concept of managing workforce of diverse population of people. Diversity consists of non-visible and visible differences that will include age, sex, background, disability, race, work style and personality. All these differences will create an environment that is productive also wherein everybody will feel valued, their talents will fully be utilized and thus organizational goals are met. 13

The diversity chart of HAECO group (h.) shows that how the business diversity it is.

The diversity chart of HAECO group (h.)

4. 5. 2 – Culture & Diversity of CASL

CASL is a power cultural company that depends on a central power with the rays of influence from central throughout the organization. Nearly a power culture often found in small organizations and relies on trust for its effectiveness. Control is exercised from the one by the selection of key

individuals such as CASL's CEO. There are few procedures and rules also little bureaucracy exactly the same with CASL company.

When talking about diversity it brings me to another word, difference. In CASL just the same with HAECO, people is the most important asset of company, they have different views and perspectives; bringing different behavior to the workplace as well having different customs, traditions and aspirations. Differences are also making many challenging in both company.

4. 6 – Information Technology

4. 6. 1 – Information Technology of HAECO

HAECO with a new network system H3C 10GE that help to expand its business in Hong Kong.

Some background review, International Airport Hong Kong is one of the busiest airports around world. More than 48 million passengers traverse each year, also around roughly 800 aircrafts are landing or take-off every day. The backbone of the IT communications is a data network rooted from a single vendor – H3C. It is a highly developed 10 Gigabit Ethernet system. 14

The biggest challenge in the business of aircraft maintenance is completing inspection and repair tasks as fast as possible so as to let the plane gets back into the air because aircrafts make money as they are in the air, therefore airlines keen to eliminate unnecessary time on ground. For that reason HAECO uses information technology to monitor, support, and speed up the process with no compromising safety or quality.

The importance of an effective management of technological change has been emphasized by recent developments in IT; information technology. The impact of IT (such as H3C network system in HAECO) demands up-to-the-minute patterns of work organization, particularly in the relation to administrative work procedures. IT affects the structure and formation of work groups also the nature of jobs individually.

4. 6. 2 – Information Technology of CASL

Although CASL do not have the high tech network system like H3C in HAECO, it also makes use of technology such as using widespread computer system for all the admin work and informational transmission. Processes of the communication linked to computer systems are able to transmit information rapidly and direct access to international or other national offices. In addition with the developments of IT systems there is a working atmosphere appeared in CASL that is a greater expectation of quick response.

An additional point of view is that IT in CASL undoubtedly transforms the work nature significantly, staffs may work more than before, such as using their own home's computer to access company's intranet to continue the uncompleted jobs. However, if staffs are often work remotely; there will raise a risk of mentally ill and potential problem under pressures. 15

4. 7 – Communication

4. 7. 1 – Communication of HAECO

HAECO consults staffs actively on a diversity of issues to make sure that staffs commit to sharing their values of the Company. HAECO has three staff associations which represent staffs at different grading respectively.

Meetings with staffs' representatives regularly to ensure that issues of common interests or mutual concern of are addressed timely. On the other hand, HAECO have a bilingual quarterly internal journal, hot news and newsletter for staff to widely read. All these things can help the interaction among staffs of a group.

The level of interface between staff of a team or a group is influenced by the structure of communication channels. Research by Bavelas and study by another researcher such as Leavitt have resulted in a design of a series of networks' communication.

There are five types of networks' communication (i.); chain, circle, wheel, y and all-channel. In HAECO, it seems to be a Y communication network. A Y network might be suitable for simple problem-solving tasks that require little interaction between members. This network is more centralized with information flows all along a predetermined channel. The general staffs do not have the opportunity of 'say' to the top. Like in HAECO the 'central' person is the staffs' representative which pass the messages as between. When the task has an excessive information loading or handling complex problem then the network will lead to inefficient and saturation. 16, 17

(i.) Communication networks

4. 7. 2 – Communication of CASL

CASL knows the success of the services is not just based on software, hardware or components. It's the people behind the services make all difference. CASL management understands positive communication that is the best way to connect their people and management also can increase their spirit and ultimately their service quality.

In CASL, it seems to be an all-channel communication network. The all-channel or comcon network is a network that involves full participation and discussion; just like CASL management will always make discussion with their staff. This network shows to a high level of interaction among all the people so as to solve complex problem. There is a moderately high level of satisfaction for staff. The comcon network may not possibly build up under pressure; in that case it will either reform or disintegrate into a wheel network. 16, 17

5. Conclusion

The Hong Kong Aircraft Engineering Company Limited (HAECO) is a long historical company in aircraft engineering field in Asia; compare with CASL, it is a new brand company. They have both similarity and dissimilarity in organizations' approach to motivation, human resource management, communication, learning and knowledge management, leadership, information technology and culture and diversity. In conclusion the report with the use of theories and practices learnt from Management &

Organizational Behavior to make the analysis and show the understanding of theory is relevant in practice.