

Airport Beacon Report



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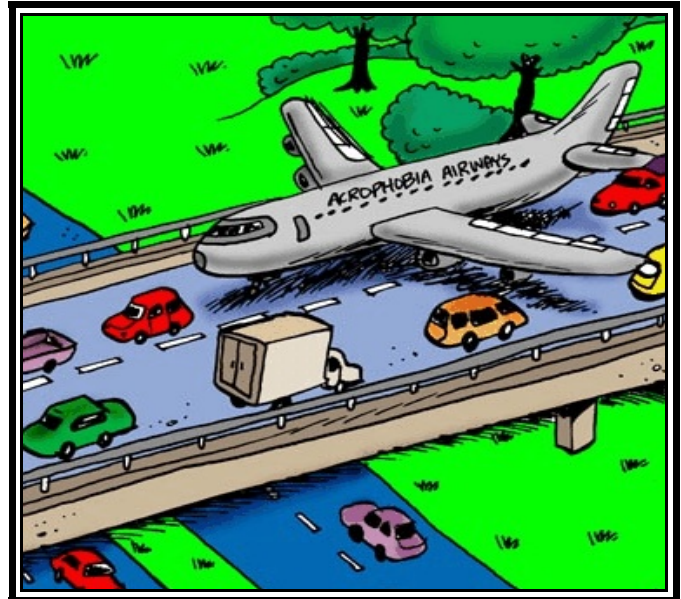
DESIGNING AN EFFECTIVE AIRPORT ORGANIZATION: PART TWO - MIDDLE LINE AND OPERATING CORE

By Mark R. Davidson, A.A.E., Vice President

As mentioned last month, *Airport Business Solutions* works with airports across the country and has seen various airport organizations and management structures. The overwhelming majority of these organizations have the same four basic components: strategic apex, middle line, operating core, and support staff. Last month, I discussed the strategic apex in great detail, and this month I'm going to focus on the operating core and middle line. Some of the following theories might provide you with ways to improve your airport's organizational structure.

Operating Core

The operating core of the organization encompasses those members who perform the basic work related directly to the production of products and services. In a manufacturing company, it is easy to identify these positions since they make a physical product out of raw materials. Although it is a little tougher to distinguish in the airport service industry, these positions would be the airport's front line employees, including but not limited to operation specialists, electricians, police officers, firefighters, maintenance technicians, engineers, and custodians. Standardization is generally carried the furthest in the operating core in order to protect the airport from external problems. The operating core is the heart of every airport, the part that produces the essential services that keep the airport running day to day. However, organizations need administrative components too. The administrative component comprises the middle line and strategic apex.



Middle Line

The strategic apex is joined to the operating core by the chain of middle-line managers with formal authority. This chain runs from senior managers in the finance department to first-line supervisors (such as shop foremen), who have direct authority over the operators. In theory, one aviation director at the strategic apex can supervise all the operators. In practice, direct supervision requires close personal contact between manager and operator, with the result that there is some limit to the number of operators any one manager can supervise. Small airports can get along with one manager at the strategic apex, bigger ones require more in the middle line. Thus an organizational hierarchy is built.

Now that we have defined the operating core and middle line, it is time to discuss the following issues facing these components: 1) centralization versus

decentralization, and 2) developing relationships between the different components.

Centralization vs. Decentralization

When all the power for decision-making rests at a single point in the organization (ultimately in the hands of one person), the organizational structure is centralized. When the power is dispersed among many people, the structure is decentralized. Many airport directors across the country prefer centralization since it is the tightest means of coordinating decision-making at the airport. Other reasons have been given for centralizing structures, but aside from the well-known one of lust for power, most of them amount to the need for coordination.

What is so bad about the airport director making all the decisions? Simply because not all its decisions can be understood at one center. Sometimes the necessary information just cannot be brought to that center. Perhaps too much of it is “soft” and difficult to transmit. Sometimes the information can be transmitted to one center but cannot be comprehended there. For instance, how can the aviation director of a large hub airport possibly learn every detail about the issues facing the engineering, public safety and properties departments? Even if a report were written on each issue, the director would lack the time to study them all. Often in centralized organizations, people at the bottom of the hierarchy with the necessary knowledge end up having to defer to managements at the top who are out of touch with the reality of the situation.

Other related reasons for decentralization include allowing an airport to respond quickly to local conditions and providing a stimulus for motivation. Creative and intelligent people require plenty of room to maneuver. The airport can attract and retain such people and utilize their initiative, only if it gives them considerable power to make decisions. Such motivation is crucial in professional jobs found at airports. Giving power to middle-line managers also trains them in decision making, so that some day one of them can take over the job of aviation director, where the most difficult decisions must be made.

Developing Relationships

Within all the organizational components discussed, there are basically three types of employees: engaged, unengaged, and actively disengaged. Engaged employees work with passion and drive innovation, unengaged employees are essentially sleepwalking at work, and actively disengaged employees are trying to tear down the organization. As an aviation director at the strategic apex, it is essential to develop relationships that assist employees to engage in work. A positive manager/employee relationship has a strong impact on the engagement level, which results in better work and positive customer relations. Here are some ways to develop relationships:

- Develop a plan with employees to help them grow and succeed
- Make an effort to know each employee in the terminal and on the airfield
- Ask for input on important decisions
- If possible, drive around the apron with employees to understand their position
- Join employees at breaks and lunch

From my understanding, some Japanese companies have gone to great lengths to foster relationships between management and employees. For instance, when some companies train a new class of recruits, all of the new managers and employees take a long course together to learn the corporate culture, mission statement and company operations. At night, these classmates are encouraged to party and develop relationships. After the course, the relationships between managers and employees are supposed to continue to allow for a communication channel to be established. This way, management can stay in touch with the operating core to quickly address issues that might affect employee motivation.

In summary, establishing an organizational structure that supports and maximizes the potential of the middle line and operating core can bring about dramatic change. Although the aviation director will have to give up some power, decentralizing the organization to engaged employees can assist an organization to react quickly and improve overall.

From the Atlanta Journal Constitution:

“I wish the Delta pilots would go ahead and strike. The former Easter pilot who does my yard work is about to retire, and I need to find a replacement for him.”

ALL-CARGO AIRPORTS

Randy D. Bisgard, Senior Vice President

The trend in recent years has been that every time the military has looked to close a former base, the floodgates have opened for communities and developers looking to turn the airport into the next Rickenbacker or Alliance Airport. And, with few exceptions, they foresee the ability to accomplish their goals at a much faster pace than is realistic.

A few problems are prevalent in the conversion of military bases into cargo airports:

1) Infrastructure. While most military bases offer expansive ramp areas, long and wide runways, and wide taxiways, many aren't equipped to handle the excessive weight of today's wide-body aircraft. Existing hangar structures often don't offer the door height or clearspan to accommodate today's cargo handling automation systems and typical aircraft.

2) Air Carrier Support. Integrated carriers such as FedEx and UPS are typically located at airports that also offer a reasonable volume of air carrier traffic. This is not only due to the infrastructure and amenities, but also to the fact that they rely on the air carriers in cases of maintenance delays, interconnecting freight, and excessive cargo volumes. Not every airport is suitable for a FedEx or UPS, as they primarily rely on such factors as population base, accessibility to primary roads and interstates, community support (noise), and availability of labor.

3) Fixed vs. Variable Costs. The primary difference between passenger airlines carrying belly cargo and the all-cargo airlines is that passenger airlines only have to cover variable costs associated with



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transporting freight, while all-cargo airlines have to cover all of the costs. Consequently, the costs associated with developing and operating an all-cargo airport must demonstrate such substantial cost savings over existing mixed-use airports to entice a switch from the status quo, which is difficult given the infrastructure issues which must often be addressed.

ASK ABS

A monthly part of our newsletter is a section called "Ask ABS", where we answer aviation-related questions from our readership. (If we do not receive a question, we make one up.) Each month we publish one question that we receive with a joint reply from our professional consulting team. Please submit any questions via e-mail to Mark Davidson at: mdavidson@airportbusiness.net

This month's question relates to the current hot topic of VLJs (very light jets for those of you that do not read any aviation publication printed today). *“The question is: I keep reading about the significant impact on my airport that will result from the emergence of VLJs. What do you think?”*

Well, I am somewhat of a pessimist about what the real impact will be, but I am sure of two things: 1) the impact on FBOs will likely not be a positive one, and 2) the impact on airports will not be a positive one unless significant changes are made in the way rates

and fees are charged. What do I mean by this? Well, I think that FBOs have enough customers who want all of the perks and amenities they offers without buying fuel or any other services to help pay for them. The new fleet of VLJs will be even more fuel efficient, resulting in even more planes on the ramp that do not buy fuel. Nevertheless, they will still want to park on the ramp for free, eat the free cookies and popcorn, use the crew car, and crash in the pilot's lounge to watch their favorite soap opera. As a result, the re-emergence of the ramp/parking/service fee argument is likely about to take front and center once again.

As far as airports are concerned, while the optimistic may think that the number of operations at their airport will increase, most have not considered the fuel efficiency argument discussed above. Fuel efficient aircraft do not burn much fuel (hence the term: fuel efficient). Aircraft owners that do not burn much fuel, do not buy much fuel. Aircraft owners that do not buy fuel, do not pay fuel flowage fees (yes, the customer pays the fuel flowage fee, not the FBO). If they are not paying fuel flowage fees, the airport's revenue stream decreases. If the airport's revenue stream decreases, then you better start working on updating your resume!

If the VLJ market has the impact that many think it will (not me included), then there is a pretty good chance that fuel volumes will decrease at many airports, despite and increase in the number of operations. As such, many airports are going to have to look more closely at other revenue opportunities, to include general aviation landing fees. I have talked to several airports that have already been discussing this issue, but they are the minority. The "pay to play" theory of landing fees will probably be required at most airports if things go as some are planning, at least until another method is devised. My suggestion is that you start thinking now about how your airport might be affected.



This year's "Not My Job" winner!

Airport Business Solutions is recognized as the leader in providing valuation, analysis, and consulting services to airports and aviation businesses, and offers a diversity of backgrounds and experience which provides a new, creative, and "outside the box" perspective on a myriad of aviation issues and problems.

In addition, our international affiliate, Airport Business Solutions International, AEC, has helped numerous airports worldwide with a variety of airport management and operational issues and problems. Problems at international airports are no different from those experienced at airports in the U.S., and the diversity of experience and breadth of knowledge of Airport Business Solutions International has been extremely valuable in achieving comprehensive solutions to those issues.

For More Information

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