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## *1. Executive Summary*



This report analyse how SAS can improve its current structure and job design with an emphasis on improving customer service. Various methods for restructuring and job redesign are considered but only one in each category have been selected after detail analysis of the current situation i.e. inappropriate organizational structure and poor job design.

A matrix structure and socio technical redesign has been suggested as a possible way of complementing SAS's top priority: Improving customer service. Although the expected outcomes of these two methods may be very attractive, SAS must note that problems like the cost of implementing these re-engineering efforts might hinder the restructuring process.

## 2. Introduction



SAS faced intense competition in the industry and increasing customers' demands. SAS Poor Strategic Management has resulted in decreasing market share and increasing internal problems. (i.e. Undermotivated work force, inefficiency in productivity etc.).

To tackle the situation, Carlzon decided to redefine its mission and objectives, develop new strategies and redesign its structure.

This report covers the problems faced and comments on the effectiveness of the solutions undertaken by SAS.

“ Structure tends to follow strategy” (Robbins & Coulter, 1999). It is vital to establish an appropriate structure to assist the strategy, as well as to facilitate high performance and innovating change. (See Appendix 1a)

“ Organisation structure describes the organisation framework” (Robbins, Bergman & Stagg, 1997) it acts as a skeleton to support the various activities that the organisation undertake to achieve its objectives. It is important to consider the factors influencing the development of the appropriate structure. (See Appendix 1b)

## 3. Situational Analysis



### 3.1 Review

#### 3.1.1 Misdefining Company's Mission

SAS failed to identify exactly what business the company was in. ‘ Is it a transportation or airline business?’ Resulting in a 20% loss of their market share. Carlzon recognised the need to redefine its mission, providing SAS a new direction in formulating appropriate strategies and design structure. Based on the SWOT analysis and customers’ needs, he determines that SAS is customer driven rather than product driven. To be “ The best airline in the world for the frequent business traveler”. Providing the service that one will never forget.

#### 3.1.2 Increasing Competitiveness

Long term success of a company requires the competitive edge to be sustainable.” Sustaining a competitive advantage requires constant action by management in order to keep one step ahead of competition.”(Robbins, Bergman & Stagg, 1998). SAS failed to keep abreast of competition. It should identify its competitive edge through the value chain and SWOT analysis. And look into the nature and intensity of industry competition through porter’s 5 forces (See Appendix 1c). Then apply a differentiated strategy. (See Appendix 1d)

#### 3.1.3 Delegation

A centralize decision making system causes the top management to be over loaded and unable to focus on strategic issues. SAS’s delegation of power and authority in decision making to the lower levels encourages innovation and increases effectiveness and efficiency of the staff. (See appendix 1e)

## *4. Problem Identification*



### *4.1 Inappropriate Organisational Structure*

With a new mission defined, SAS 's tall structure becomes inappropriate. Inefficiencies and ineffectiveness in their productivity, manpower and communication arises as a result. Communication and co-ordination becomes distorted, causing extensive loses to SAS. A flatten structure may be more appropriate. (See Appendix 1f)

### *4.2 Poor Job Design*

Staffs at SAS were having uneven workloads and did not have the ability to serve customers better due to their limitation of their skills. Precious time and money are wasted due to staffs not having the necessary support from managers to make decision thus losing an opportunity to earn a loyal customer.

## 5. Solutions



### 5.1 Organisational Structure

Two approaches for restructuring:



#### 5.1.1 Matrix Structure

A matrix structure is a strong form of horizontal linkages. It superimposes a horizontal set of divisional reporting relations onto a hierarchical structure. Horizontal co-ordination facilitates the information processing service across the organisation.

#### Benefits:

- Decentralized decision making encouraged
- Flexible sharing of human resources across services. I.e. Cross-training of jobs between functions
- Strong co-ordination
- Provides opportunity for staffs in functional and service skill development

#### Concerns:

- The staff may experience dual authority, creating potential confusion over authority and responsibilities.
- Higher Standards for staffs to have good interpersonal skills and extensive training. Therefore higher administrative cost.
- Heightens prospects for interpersonal conflicts.



### *5.1.2 Hybrid Structure*

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A hybrid structure adopts parts of both functional and divisional structures at the same level of management. (Bartol, Martin, Tein & Matthews, 1998)

#### **Benefits:**

- SAS can achieve specialised expertise and economies of scale in functional areas
- Adaptability and flexibility in handling diverse service lines, are facilitated through a partial divisional structure
- Help in aligning both divisional and corporate goals

#### **Concerns:**

- Excessive administrative costs
- Leads to conflicts between corporate and divisional personnel.



## 5.2 Job Redesign

To best complement the approach to flatten SAS’s structure, there is a need to identify important job requirements and redesign jobs to fit the new organisational structures.

After the hierarchy is flattened, the managers’ role has now gone from dictating to supporting the frontline staffs achieve organisational goal. Hence, it is understandable that they will feel a sense of loss of power and meaningfulness of his role. Whereas the employees have a newfound authority and freedom to make decisions. It is therefore important to train them to put this authority to full use to improve the SAS’s customers’ service.

Three Approaches to Job Redesign:



### 5.2.1 Job Enlargement

Horizontally increases the scope of a job, by extending the number of activities performed by the jobholder or rotating the jobholder through a variety of unrelated activities.

Strengths	Attacks the lack of diversity in overspecialized jobs.
Weakness	Does little to instill challenge or meaningfulness to a worker’s activities.
Feasibility x	Does not maximise employees’ potential.



### 5.2.2 Job Enrichment

Vertically increases the scope of a job so as to allow the worker to do a complete activity.

Strengths	Increases the employee’s independence, increases responsibility, and provides feedback.
Weakness	Additional costs to train workers, more task given to workers but not necessarily receive more rewards.
Feasibility x	Other workers have to be deployed to other departments or terminated because the scope of the job has now overlapped.



*5.2.3 Socio - Technical Redesign*

Uses self-managing work groups in which teams of workers regulate and control their tasks as well as perform many roles traditionally assigned to management.

Strengths	Increases motivation, increase opportunities for employee growth, strengthen employee's cooperativeness.
Weakness	Participative design can be very time consuming
<b>Feasibility</b> ✓	<b>This method satisfies employees' needs and organizational goals.</b>

## 6. Recommendation



With the amount of uncertainty increasing in the environment, it is difficult for SAS to maintain a strictly functional structure. It requires a combination with horizontal co-ordination, which can be achieved a matrix structure. To best complement the approach to flatten SAS's structure, a socio-technical job redesign is more suitable for SASs' "Towards A Customer Driven Strategy", we have developed a phase by phase plan to implement the job redesign process.(See Appendix 2a) This plan fits into SAS's proposed strategy by providing employees a chance to give customers the service that they want.



### 6.1 Expected Outcomes

- A flatter, leaner and highly flexible organisation which will have the ability to learn itself into solutions continuously.
- Multi-skilled and self-managed groups will have the knowledge to redesign themselves quickly whenever they need to.
- Higher morale among employees.
- Staffs delivering more personalized attention.
- Staffs suggesting ways to improve service delivery. (Feedback)
- Increased positive customer comments and decreased negative customer comments.
- Fast response to the environmental changes i.e. the increase in competitiveness and customers demands.
- Enables company to achieve functional goals along with organisation goals. Thus goal congruence achieved.



## 6.2 Problems that might occur

### Considerations when Implementing Restructuring Efforts

- High degree of formality and inflexibility of policies and processes leads to difficulty of introducing new ways of doing things, as people are generally resistant to change.
- There is low confidence in the redesign effort among line managers
- People seem presently satisfied with their jobs hence most likely not welcome changes to their job.
- The costs of job redesign can come out to quite a substantial amount and management may cite it as a burden and stop job redesign. It is therefore important to foresee all possible cost that might incur during the course of job redesigning. Two types of cost might occur:

#### **1.Design-Related Costs**

##### → **Training costs**

The socio-technical redesign method requires staff to self manage their groups hence training has to be provided add knowledge, skills, and abilities to perform more complex tasks.

##### → **Wage increases**

SAS's staff employability is increased through training. The acquisition of additional skills and responsibilities will put them in higher wage classes. The staffs will either ask for more wage for more task given, or they will leave SAS's to another airline that will pay more for their upgraded skills.

→ **Implementation costs**

Time and money for staff persons, consultants, and others who design and implement the program

**2. Performance-Related Costs**

→ **Quality**

Output may fall as individuals learn their new, more complex tasks. After some time, staffs usually get used to their jobs and quality of work will improve.

→ **Resource utilization**

Paper work may increase to record progress on implementation



*6.3 Ways to address problems*

Customer satisfaction begins with employee satisfaction. To help unleashed hidden energy within the company, there must be a top down commitment to recognize and appreciate employees and make them feel empowered through open communication, training opportunities, quality improvement tools, and excellent leadership. They thus gain the freedom to take risk and innovate in the pursuit of quality and service for both internal and external customers

## *7. Conclusion*



With missions redefined, restructuring and jobs redesigned for the organisation. SAS has a new direction to achieve its goals. The use of good strategic management process, with a matrix structure accompanied by socio-technical redesign, SAS can secure its current position in the industry and possibly increase market share.