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Report

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ABSTRACT

This report will discuss the theory behind company analysis, management and leadership structure, motivation, and culture. This theory will be considered in terms of our company, and the planned changes, in order to address the issues of falling sales, limited customer base, reduced production targets, increased product rejection rates, escalating maintenance costs, high staff turnover, staff absenteeism, and workplace accidents.

INTRODUCTION

The purpose of this report is to analyse the company's current situation, and propose tangible solutions to the issues I intend to identify through analysis. I will be looking at company structure, leadership and management, motivation, and culture. I will then set out my evidence-based solutions.

INITIAL ANALYSIS

SWOT

To assess our company, I'm going to start with a SWOT analysis, looking at our company and its competitors. A SWOT analysis looks at the strengths, weaknesses, opportunities, and threats of the company being analysed, this method of analysis highlights the obstacles to the company's growth or issues that are causing a decline. It can be beneficial to analyse competitors to see their strengths but also to see the threat they impose on our company.

Starting first with the largest company manufacturing for the aerospace sector within Wales, Airbus UK, a subsidiary of Airbus. Their manufacturing plant is based in Broughton, Flintshire. With over 6,000 people employed at the plant (trade and invest wales, 2019), they

are the main wing manufacturing centre for all Airbus aircraft in addition to manufacturing for smaller projects. It would be informative to analyse Airbus UK specifically as their main operations are run under the same regulations that we also operate under. They are not directly our competitors as they only manufacture for the wider Airbus family, but we could learn a lot from their success in the industry.

STRENGTH A Strength of Airbus UK is their market share, which is a 56% share of the backlog compared to Boeing's 44% (Leeham News, 2019). They are also leaders in innovation, having always concentrated on being in the forefront of technology and design, for example they have developed their production process by working with their European partners and suppliers to move to a single production line for the A350 XWB.	WEAKNESS Looking at Airbus UK's weakness could be that they only manufacture for their own products, unlike Samsung for example who manufacture for their own products as well as for their competitors like Apple (ET News, 2019). By doing this they share part of the market for their product but also take a share of their competitor's revenue. This leads into Airbus UK's opportunities, which could be to expand their portfolio of projects, as there are currently numerous companies headquartered here in the Wales and the UK that take external contracts, including the third largest defence contractor BAE Systems (Thompson, 2017).
OPPORTUNITY As stated before, Airbus UK has a large backlog of over 7000 aircraft (AIRBUS, 2021), signifying demand, and the need to increase production. The economy at large is favourable to AIRBUS UK, with increasing passenger travel, lower inflation rates, and decreasing shipping costs. The COVID-19 pandemic has significantly changed this, but it is expected to be a short-term effect before the economy bounces back.	THREAT Airbus UK's threats. Companies in the aviation industry face tough competition, which is bad news for Airbus with their reputation of high production costs and delayed product launches, for instance, the A380 which was delayed by over a year affecting the share price of the AIRBUS group by 26%.

Now to look introspectively:

STRENGTH Looking at our current strengths. We are an established company with a history in aerospace manufacturing. We have two departments, one mechanical with CNC machines suitable for the precision required for any aerospace project, and secondly an electrical department equipped to assemble hardware and cable harnesses. We are fortunate to be a prominent company and clients often reach out as we can take on a wide variety of manufacturing projects due to our collection of machines and knowledge base.	WEAKNESS With a critical eye, analysing the company's weaknesses, I can see that despite the wide range of machines and processes that we have at our disposal, they are ageing, and their average downtime is increasing month on month, leading to production targets being increasingly missed, decreasing quality, and ballooning maintenance costs. Staff are a fundamental part of the business, so their absence is a significant weakness of the company, that is leading to leaking skill and knowledge. It is important the high turnover, high absenteeism, and time lost from accidents are looked at closely.
OPPORTUNITY An opportunity for the company is to be a part of the growing need for aircraft, projected to be 33,070 units over the next 20 years. We need to be sure we can grow to match the increasing demand. There are frequent advancements in the aviation industry, and it is important that we stay knowledgeable on the latest developments in the field.	THREAT The threats to our company come from the tough competition, which is leading to falling sales, and our limited reach in European and international markets. This is only going to worsen as Russian and Chinese manufactures enter the field.

PESTLE

Political

With the ongoing Covid-19 pandemic, in the UK there is a lot of government intervention but also government support available over the short and medium term. As a manufacturer for civil aviation, government restrictions on flights have indirectly but no less severely affected sales, with airlines cancelling orders of aircraft. The effects of the travel restriction have not affected every area of the aviation industry, specifically, military and defence are still spending.

With a part of our sales being with European and international clients, we will need to stay up to date with the latest development in those jurisdictions as well. There are a number of countries that have handled the pandemic in different ways that have allowed more air travel, so we will want to focus our marketing efforts in those regions, and limit staff numbers to cover the reduced output. Covid-19 is expected to be a short but impactful blip, so government support to maintain buoyancy during the crisis will allow us to work on restoring a dilapidating business without the pandemic immediately wiping out our cash reserves.

Short term, the UK government is running the Coronavirus Job Retention Scheme, which has allowed the company to furlough staff that are not required at this time. The scheme has allowed the company to maintain its workforce and the skills and knowledge they bring and has stopped the single largest expense from depleting the cash reserves. This scheme is still in place, and instrumental to getting through the pandemic, so we will need to keep a close eye on how the scheme will change and wind down in the coming months. Additionally, in the short term the UK government is offering low interest loans and tax referrals (Shapps, 2020), as well as the £1.8 billion being made available to the aviation industry through Covid Corporate Financing (Shapps, 2020).

Medium term, looking past the ongoing pandemic, the Department for Transport have set up new initiatives and funds to help “speed up the transformation of the industry.” as said by the cabinet member MP Grant Shapps at a speech to aviation leaders. The department is setting up The Future Flight Challenge with £300 million available and the Aerospace Technology Institute Program with £2 billion total available (Shapps, 2020).

Economical

The market has been consistently growing with an 38.88% increase in the global passenger traffic during 2013-2018 (Mordor Intelligence, 2019), but the covid-19 pandemic has almost halted travel with demand expected to stay low until 2023. This is heavily affecting orders with only 20 aircraft being delivered in April 2020 and customers cancelling 370 aircraft orders in the first four months of the year According to the ADS Group (Ibis World, 2021).

One part of the aviation market that has been less affected by the ongoing pandemic is government military and defence, who are still placing orders, and global markets that have been less affected than the UK and European market such as countries in the Middle East.

Social

As a supplier to the manufacturing sector, we are not as vulnerable to public opinion as the customer facing organisations. However, there is general focus on rebuilding a greener industry, with the £300 million Future Flight Challenge grant focusing on speeding up the transformation of the industry towards a greener future.

Technological

In the fast-moving industry of aviation engineering, it is important to for a company to adapt to new technologies, as well as contribute to developing new technology. Recent technological advances include innovations in flight control technology, materials for airframes, cockpit designs to improve pilot workload and efficiency, smaller and lighter hydraulic system equipment, and brake technology. (AIRBUS, 2021)

Legal

At first appearance, it looks like the legal landscape for manufacturing for aviation has changed significantly with the UK exiting the European Union but most of the regulations have remained the same, with just Civil Aviation Authority (CAA) forms taking the place of European Aviation Safety Agency (EASA) forms. This means that our business in the UK, European Union, and countries that are part of the Bilateral Air Safety Agreement can continue without interruption.

If we wish to expand our sales into international markets not covered by the Bilateral Air Safety Agreement, then we will need to stay tuned to announcements by the CAA on which countries will be excepting the new CCA Form-1.

Environmental

The social and environmental impact on the industry is driven by the amount of emissions. CO2 emissions stay in the atmosphere for hundreds to thousands of years. Their warming effects are the biggest environmental factor. Other emissions have a smaller but overall cumulative effect like nitrous oxide and contrails (ice clouds).

In terms of manufacturing, with changing environment, aircraft will have to be designed to withstand an increasing average and extreme temperatures which impact the performance of the aircraft and create the need for technological advancement.

STRUCTURE

The Old

With my experience of working at the company, I would describe the structure of the company as hierarchical with the very prominent bureaucracy that goes with it. The structure is very tall with multiple levels of supervisors and managers, which is not very suitable for a small company of less than 100 employees. Too many who work for the company are primarily supervising small teams, bloating the cost of wages for the company without directly increasing production capacity.

Supervisors are essential to the running of the production lines, especially within aviation, where there needs to be accountability, and a robust adherence to the regulations. But the height of the hierarchy here has continued growing up with an increasing number of middle managers being brought in as a show of company growth but has had a limited effect on increasing production rates.

The classic hierarchy can still be suitable for larger corporations but is inefficient here at our company. Generally, the bureaucracy of the hierarchical structure, stifles innovation which is an important metric for our future success. Seeing the importance of innovation in our competitors like Airbus UK highlights the importance of keeping innovation in mind as we look to adapting the company through this organisational restructure. The other issues with the company highlighted in the analysis of the company's weaknesses, like the increasing rejection rates, and maintenance costs as well as increasingly missing production targets will also benefit from the restructure.

Generally, the structure we have is intended to improve communication, which can contribute to faster innovation. But, this classic hierarchy, including the haphazard structure it has evolved into here, has a few important weaknesses. The hierarchical structure is designed to have good communication with the clear chain of command, showing who everyone reports to and who is responsible for communicating inter-departmentally, but structure can contribute to negative management styles being able to persist, with individual managers prioritising their department and being competitive with other departments rather than working together on organisational level issues.

This rigid structure can also impede innovation, as an employee would only share their idea with their direct supervisor, it could be rejected without thought or consideration from more senior managers. It is also not unheard of where a manager may withhold information from another department, as managers can be very focused on their own departments' performance rather than on the organisation as a whole.

The New

The Functional Organisational Structure, at first glance, resembles the pyramid shape of the Hierarchy, but has some very important distinctions. Generally, people are teamed together by their skills and function within the company. There is still a chain of command, often illustrated by position in the diagram, but importantly, there is a limited number of people sitting between the team leads and the directors and shareholders, and each team features a wider span of control. Structured this way, employees are focused on their role, and guided by their team lead, but generally have greater autonomy, which limits the number of supervisors required.

Interdepartmental communication can still be limited within in this structure, but with a limited number of managers communication can be simplified, and with a strong leadership from the top, managers can be motivated to work to a common goal of the organisation. This structure will also offer other benefits that I will look at in motivation theory.

MOTIVATION

As highlighted in the initial analysis of the company, I found the staff motivation to be a weakness that is leading to skills and knowledge disappearing, due to the high turnover.

The motivation of staff can have wide reaching benefits or be very costly if mis-managed. With an individuals' motivation affecting their commitment, creativity, cooperation, and retention at the company, it is important that it is dealt with accordingly. Motivation may be the key to many of the issues the company faces with its diverse effects, touching on most of the issues highlighted in the analysis.

Many business leaders, sociologists and thinkers have written on motivation, but arguably none are discussed as much as Maslow's Hierarchy of Needs, which he first proposed in his 1943 paper. Maslow was an academic and his theory was about people's general motivations, but the business world has taken his theory despite its' criticisms and applied it to employee motivation. In short, the theory sets out what motivates people, and its assumed that it is also applicable in the workplace, and the order in which workers will pursue their needs. Importantly, according to the theory, workers will not be motivated by later needs unless their previous needs are being met, meaning managers need to ensure that initiatives are deployed in the correct order and that they are successful before moving onto the next. But it is important to note that workers can satisfy their needs outside of the workplace.

Herzberg's Motivation-Hygiene theory is specifically a motivation theory for the workplace. In summary, his theory categorises factors into two categories that contribute to job

satisfaction, Motivation factors, which contribute to increasing workers intrinsic motivation, and hygiene factors that extrinsically worsen job satisfaction. Herzberg theorises that Motivation factors are important to increasing motivation while hygiene factors cannot motivate workers, their absence is damaging to motivation.

I find Herzberg's theory to be anecdotally reflective of my own motivation, and simpler to deploy in the workplace. The reason why it is simple to implement, is that Herzberg has suggested methods that he has used himself in his research. Firstly, providing the intrinsic motivation; Herzberg suggests removing some control management has over employees and increase the accountability and responsibility they have of their work, which increases autonomy. This will be required as part of the restructure, as wider span of control leaves people with less direct supervision. It is important that the restructure is paired with the motivation initiatives and some training as employees will now be expected to carry out their responsibilities with less oversight and will have to cover some of their own administration work like completing documentation and filing.

Other tools that Hertzberg has tried is getting employees to do complete and natural work units, encouraging workers to take new and challenging tasks, and provided regular and continuous feedback.

LEADERSHIP

The ability to motivate staff is an integral part of leadership. In order to motivate staff, the leader must set a clear vision, guide staff through the work process and build morale. A good leader will have integrity, be flexible and inspirational.

The current leadership is characterised by strong control and avoidance of employee participation by issuing orders with no explanation or discussion. These are traits of an authoritarian style leadership.

Likert et al identified two dimensions to leadership – consideration and structure. They noted from their research that leaders are high in consideration ‘concerns’, but could be either high or low in structure ‘concerns’. Consideration includes mutual trust, respect, rapport between manager and staff. Two-way communication is encouraged. Such leaders tend to operate to the right side of the leadership continuum. Structure means organising and assigning tasks, planning ahead and establishing systems. Likert et al noted from their research that high consideration is important for effective leadership. This in turn reduces turnover, grievances and increases the quality of the output. Structure could be high or low.

Taking both Likert et al’s research and the company restructure into consideration, I would encourage a more consultative style of leadership. This would encourage staff participation by asking for opinions and suggestions leading to improved problem solving. In time this would produce a higher skilled and more autonomous work force. It is accepted that such a change in leadership structure would require training for both current and any new staff. Managed well, the issues of reduction in production rates, increase in product rejections, high turnover of staff and absenteeism from the initial analysis would be improved.

CULTURE

The initial analysis highlighted the importance of the employees to the company; however, the employee resource is not currently being used to its full potential. This has resulted in a high employee turnover and high staff absenteeism.

The competing values framework (Quinn and Rohrbaugh 1983) shows a relationship between these four competing cultural structures, focussing internally or externally, and stability versus flexibility. Currently the company fits into the bottom left quadrant labelled as control which is characterised by a formal rigid structure with leaders who are systematic and controlling.

In her book, “Companies Are People, Too” Sandy Fekete, published research demonstrating that companies can have dominant and sub dominant frameworks, with this being the case in 81% of companies. With this in mind, the culture framework should be moved from the control quadrant to the compete culture with a sub dominant collaborate culture. This hybrid would take the goal orientated, unifying effect and combine it with a more people orientated approach. (Fekete, 2003)

This combined approach would reinforce the discussed motivation blueprint, so reducing staff turnover and absenteeism and tackling the issue of decreasing productivity and product rejection.

Having a new cultural structure will allow for other changes to take place. An example would be the four-day working week. The Guardian Article showed that for companies changing to a four-day working week morale and staff energy levels were increased leading to a productivity boost. (Holmes, 2019)

CONCLUSION

This report has shown that by analysing the strength, weaknesses, opportunities, and threats; considering the PESTLE factors on the industry, and using established management theories, a new way forward can be set out.

It is important to consider that each company is individual, therefore theories will need to be adapted, and a flexible approach will be required to achieve the best results.

In Summary I would recommend the following changes:

- Switching to the functional organisational structure.
- Apply Herzberg’s Motivation-Hygiene theory by:

- removing some control management over the employees and increase the accountability and responsibility they have for their work.
- getting employees to do complete and natural work units.
- encouraging workers to take new and challenging tasks.
- provide regular and continuous feedback.
- Follow Likert et al's research by following a more consultative style of leadership.
- Deploy the four-day working week.

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