

**An Analysis of the structure of ExxonMobil Aviation 2002-2003.**

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## EXECUTIVE SUMMARY

This report looks at the structure of the ExxonMobil Aviation management structure. The report deals with the structure of the organisation and the principles/issues of organisational structure and design recommendations.

By analysing the existing structure the report finds the structure to be generally very appropriate for Exxon. Yet some recommendations are made and adjustments are proposed in technology. Additionally many possible future issues are addressed with respect to the structure of Exxon. By relying on the way Exxon deals with issues like innovation management and nurturing, multicultural customer relationships and size issues the report commends Exxon on its management structure.

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## **1. Introduction**

‘Organising is the process of arranging work and resources so that planned goals can be achieved.’ (Bartol, K.M., Martin, D.C., Tein, M. & Matthews, G.2001) Developing organisation structure is an important part of the organising function. This comprises four main elements; job design, departmentalisation of positions and units, vertical co-ordination methods and horizontal co-ordination methods. (Bartol et. al 2001)

In this report an organisation structure has been designed to support organisation strategy. Promoting innovation is usually a key consideration in the formation of the structure of the organisation. In the dynamic business that currently faces companies, innovation is the key stepping stone to keeping up with the constantly changing situation.

This report analyses the management structure of ExxonMobil Aviation and both commends it and proposes some adjustments that may be required to suite the changes it encounters. It also reviews the most common forms of departmentalisation; functional, divisional and hybrid structures.

This research is a snapshot of what ExxonMobil Aviation encounters in its endeavours to sustain its competitive position in the jet fuel supply industry. ExxonMobil Aviation might realise the dynamic nature of strategy, and remould and reshape its business operations to better deal with organisational issues. However it currently recognises the major issues it faces and does make a great attempt at suiting its structure to this dynamic nature of strategy. It is important to remember that strategic planning requires that adjustments be constantly made on the basis of the structure.

## **2. Defining the Organisational Structure**

Organisation structure is the formal pattern of interactions and co-ordination that management designs to link the tasks of individuals and groups to achieve organisational goals. (Bartol et. al 2001)

Organisational structure consists of four elements; job design, departmentalisation of position and units, vertical co-ordination methods and co-ordination methods. The process of creating an organisational structure is organisation design. (Bartol et. al 2001)

## **2.1 Job design**

Job design is important to Exxon for two reasons. Firstly, task activities must be grouped logically. Otherwise, it may be hard for Exxon members to function efficiently. The other reason is how jobs are configured, or designed, influences employee motivation. Exxon managers need to consider efficiency and motivational issues when designing jobs to produce effective performance. There are four different job design approaches; Job simplification is the process of configuring jobs so jobholders would have only a small number of narrow activities to perform. Job rotation is the practice of periodically shifting workers through a set of jobs in a planned sequence. Job enlargement is the allocation of a wider variety of similar tasks to a job to make it more challenging. Finally job enrichment is process of upgrading the job task mix in order to increase significantly potential for growth, achievement responsibility and recognition. (Bartol et al 2001)

The job characteristics model guides job enrichment efforts by showing the importance of core job characteristics, critical psychological states, and high growth-need strength to job outcomes. A related aspect of designing jobs is alternative work schedules, which often help with a diverse work force's needs. Major alternative schedules include flexitime, compressed workweek and job sharing. (Bartol et al 2001)

## **2.2 Types of departmentalisation**

There are some different departmentalisation patterns are referred to as organisation designs, which are functional, divisional, hybrid and matrix. We are going to explain

just three of departmentalisation patterns; functional, divisional and hybrid. (Bartol et al 2001)

### **2.3 Methods of vertical co-ordination**

In Exxon organisation structure, which is functional types of structure, provide basic structure within organisational activities. Vertical co-ordination is linking Exxon's activities at the top of the organisation with those at middle and lower levels to achieve organisational goals. Without co-ordination, organisation parts cannot work together. There are some important ways to achieve effective vertical co-ordination are formalization which is degree to which written policies, rules, procedures, job descriptions and other documents specify what actions are to be taken under a given set of circumstances. Span of management, the number of subordinates reporting to a specific manager. Process of significantly reducing middle management layers, increasing span of management and shrinking workforce size that is downsizing is a way of life in organisations today. As a result of the taking place within the business environment and their concurrent impact on corporate structure, recent decades have seen endless examples of organisational downsizing. (Bartol et al 2001)

### **2.4 Centralization versus Decentralization**

Organisational activities need to be coordinated and all parts of the organisation need to stay focused on the organisational goals and objectives. (Bartol et. al 2001) Most organisations prefer a mixed model (centralization- delegation).

ExxonMobil managers must consider what the appropriate level of centralization is. It is the extent to which power and authority will be retained at upper levels. The opposite of it is decentralisation, the extent to which power and authority delegated at lower levels. Centralisation can help to Exxon strong leadership as power stays at the top, the decentralisation often helps set up units, such as divisions, whose output is easier to measure than functional units. (Bartol et. al 2001)

## **2.5 Methods of horizontal co-ordination**

There are three means particularly useful in facilitating horizontal co-ordination are slack resources, information systems and lateral relations. Horizontal co-ordination helps promote innovation as it facilitates idea exchange across ExxonMobil's organisation units. (Bartol et. al 2001)

## **3. Organisation Chart**

Organisation chart is a diagram using boxes to represent positions, which are connected by lines to represent reporting relationships within the organisation. (Bartol et. al 2001)

## **4. Factors Influencing Organisation Design**

While strategy and organisation structure are linked each other, the effectiveness of a particular type of structure is influenced by some factors such as dominant technology or organisation size. (Bartol et al 2001)

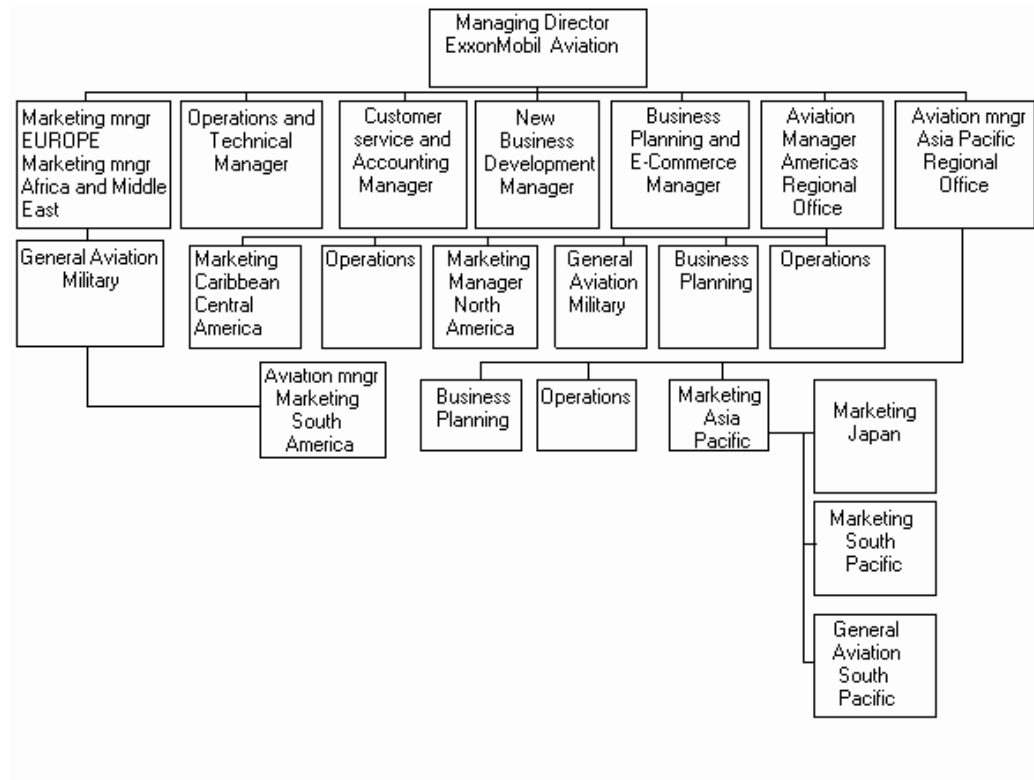
## **5. Functional structure**

Functional structure is the departmentalisation type in which positions are grouped into functional area. Functional departmentalisation occurs when organisation units are defined by the nature of the work. (Bartol et al 2001)

ExxonMobil Aviation is a truly global organisation. With seven offices around the globe and a presence at over 700 airports, the company needs to have skilled people to meet customer needs wherever they may be. ExxonMobil Aviation is structured on both regional and functional lines. An overview of the organisation structure is shown in the chart 1.0. below. (Available at URL: <http://www.exxonmobil.com>)



Chart 1.0 ExxonMobil Organisation Structure



Neil Chapman, Managing Director of ExxonMobil Aviation, heads the Aviation Global Management Team and he runs ExxonMobil Aviation. The team, located across regional offices meets on a regular basis to share experiences, ideas and debate issues. The group has a wealth of experience in aviation and other related business. (Available at URL: <http://www.exxonmobil.com>)

### 5.1. Common functions

There are several specialties that are common to functional structures. For example, production, or operations, combine activities for product manufacture or service delivery. (Bartol et. al 2001) In addition to the customer focussed Marketing and Customer Service teams, ExxonMobil Aviation draws on the strength of in-house resources in areas such as Operations, Product Quality, Invoicing and Accounting, Systems, Planning and Business Development. By working together they provide the

aviation fuel solutions that customers need. The regional sales teams work with customers in the language of their choice to provide rapid answers on all client issues - product, sales or service related. (Available at URL: <http://www.exxonmobil.com>)

The Operations group guarantees security of supply and high quality fuel where and when the customer needs it. The group of industry experts are coordinating operations managers based in regional offices and at airports around the globe.

Marketing promotes and sells products and services. In ExxonMobil Aviation the Marketing and Customer Service teams are based in each region to provide a global team involved in all the key markets around the world. Key to the marketing services are in-house supply coordination teams based in all offices, which allow ExxonMobil Aviation to work closely with ExxonMobil's vast Refining and Supply network to make jet fuel supply arrangements to meet their customers' requirements. To meet customer's needs the organisation is structured to provide a global team of sales managers and commercial advisors who work together to provide excellent customer service across all regions. Sales managers develop expertise in either airline, military or general aviation and have responsibility for customers based in a particular region. (Available at URL: <http://www.exxonmobil.com>)

Human resources attract, retain and enhance effectiveness of organisation members. High quality personnel and systems make ExxonMobil Aviation 'one stop' approach possible. Their back office processes are being consolidated into a global system to provide accurate invoices covering worldwide deliveries. They have a dedicated team of account experts whose role is to work with the regional groups to resolve any invoicing queries or errors as quickly as possible. Experienced operations personnel work closely with sales teams to ensure customers' airport requirements are satisfied. (Available at URL: <http://www.exxonmobil.com>)

Finance obtains and manages financial resources. Research and development produces unique ideas and methods leading to new and/or improved products and services. Business Planning, Business Development and the E-Commerce groups all work with the organisation to ensure the business is as efficient as possible and is actively taking advantage of opportunities as they arise. ExxonMobil Aviation is an organisation with a focus on the future and these groups are ensuring that growth opportunities are sought

out and seized. The Company is committed to continuing to develop its operations, products and services to meet future customer needs. (Bartol et. al 2001)

Accounting and financial reporting meet the needs of internal and external sources. Key to ExxonMobil Aviation's centralised approach is the Accounting Group based in Leatherhead. This group is responsible for invoicing deliveries made all around the world. The delivery information is brought into a central system to enable customers to receive one invoice for all their deliveries worldwide. In a typical month ExxonMobil Aviation produces over 12,000 invoices. (Available at URL: <http://www.exxonmobil.com>)

Finally, the legal function handles the organisation's legal matters. Notice that in organisation structure, the term 'function' does not have the same meaning as in management's major functions. (Bartol et al. 2001)

## **5.2. Advantages of Functional Structure**

The functional structure has some major advantages. One is that it encourages expertise development as employees specialise in a single function. For example, as director of human resources in a functional structure, Exxon might develop specialist in recruiting, compensation and training. Another advantage is that employees have clear career paths in their particular function, encouraging them to develop expertise. In addition functional structure helps efficient resource use, as it is simple to shift individuals between projects when they work in the same department. A further advantage is that functional structures may ease co-ordination within departments, since activities are all related to the same area. Finally, functional grouping increases potential for development of specialised technical competencies for a strategic advantage (Bartol et al. 2001).

## **5.3. Disadvantages of Functional Structure**

Functional designs also have some disadvantages. One is that co-ordination across functions is needed to handle complex problems and this may delay responses, as issues

and conflicts are passed up the chain to resolve. Also, bottlenecks develop as a function waits for another to complete its work. In addition, specialists' orientation may narrow, and they may become unable to understand needs of other functions. At the same time, it may be hard to measure a particular unit's performance as various functions contribute to overall results. Finally, a functional structure limits managers' training as they move within a function and have only limited knowledge of others (Bartol et al. 2001).

This form is often used in small and medium sized organisations too large to co-ordinate activities without some formal structure, but not large enough for co-ordination across functions to be difficult. Such organisations frequently have a few related products or services. The design is useful in large and more diverse organisations, such as insurance companies, normally operating in relatively stable environments where change occurs slowly enough for the functions to co-ordinate their efforts. In addition, a functional structure may be used by large organisations when considerable co-ordination is required among products (Bartol et al. 2001).

## **6. Divisional Structure**

Divisional structure is a departmentalisation type with positions grouped by product, service or market similarity. There are some differences between functional and divisional structures. In a divisional structure, each division has major functional resources to pursue its own goals without relying on other divisions (Bartol et. al 2001).

### **6.1 Forms of divisional structure**

There are three major forms of divisional structure: product, geographic, and customer. (Bartol et al. 2001)

**6.2 Product divisions** concentrate on a single product or service or a relatively homogeneous set of products or services. When this structure is chosen, there are large

differences in product or service lines making co-ordination within a functional specialists, such as marketing, manufacturing and personnel, performing work associated with their specific division's product only. (Bartol et al. 2001)

### **6.3 Geographic divisions**

Geographic divisions serve different geographic areas. This type of departmentalisation is often adopted to provide products and services tailored to different regions' needs. So the Bell Atlantic telephone divisions shown in Figure 10.4 represent divisions organised by geography. (Bartol et al. 2001)

### **6.4 Customer divisions**

Customer divisions service particular types of clients or customers. This design is best when major differences among types of customers exist, making adequate co-ordination of customers' various needs within a standard functional structure difficult. With customer divisions, each department has individuals performing functions necessary for a specific type of customer. (Bartol et. al 2001)

## **7. Hybrid structure**

Hybrid structure is a form of departmentalisation with both functional and divisional structure elements at the same management level. It incorporates both structures' advantages. Many organisations, especially large ones, combine functional and divisional departments. Functional ones are created to benefit from resource usage efficiencies, economies of scale, or in-depth expertise. At the same time, divisional departments are used when potential benefits come from a stronger focus on products, services or markets. (Bartol et al. 2001)

## **8. Contingency Approach**

### **8.1 Technology and structure**

Exxon operates in lines of business, which can be considered to be technologically intensive. This is depicted by the words of Lee Raymond, Chairman and CEO of Exxon Mobil “Technology is our lifeblood”. Having the right structure to breed and encourage the development of new technology within the organisation is crucial. This requires new innovations and ideas to flow through the organisation to the decision making body and having the incentive structures to encourage this. This is done pretty competently in Exxon due to its evident recognition of the importance of innovation. It has given attention to developments in horizontal drilling technology and high performance synthetic lubricants. This has allowed it to stay ahead of its competitors in its use of the latest technology and record an increasing efficiency. The functional structure that Exxon employs means that a whole function group is responsible for the technological developments in the company. This means that employees concentrating on the R&D side of the company are grouped together and can achieve synergy by working together. Hence they are a whole division with collective aims and goals, with a responsibility to ensure the technological progress in the company. (Ref. available at URL:<http://www.exxonmobil.com>)

### **8.2 Size and structure**

With increasing size jobs become more specialized, unit size/span of control increases behaviour and structures become more formalized, dysfunctions occur (eg red tape) and decentralisation occurs. To combat these a giant like Exxon must carefully plan the communication lines inherent in the structure. Due to its large size the structure must give room for individuals to operate both independently and collectively, avoiding a ‘pigeon-holing’ of employees and tasks. Flexibility must be harnessed and full advantage must be taken of the talents of each employee. In general an over-mechanisation and formalisation of relationships should be avoided. However this is the general tendency in larger organisations. (Ref. available at URL:<http://www.exxonmobil.com>)

### **8.3 Environment and structure**

Exxon has a structure that is considerably mechanistic. This means that it does fit the description of a hierarchical large company with a centralised decision making process. However this creates problems in such a dynamic business environment. It must, as mentioned above utilise the skills and observations of the lower level employees. The centralisation of decision-making could create problems in times where the upper level management don't know what's going on at ground level. (Ref. available at URL: <http://www.exxonmobil.com>)

## **9. Strategies and Structure**

ExxonMobil Aviation might realise the dynamic nature of strategy, and remould and reshape its business operations to better deal with organisational issues. However it currently recognises the major issues it faces and does make a great attempt at suiting its structure to this dynamic nature of strategy. It is important to remember that strategic planning requires that adjustments be constantly made on the basis of the structure.

Considerations in determining organisational structure considerations, which will impact on the organisation structure, include many factors. Environment in which the organization must operate is obviously crucial. Also the culture of the organisation made up of basic assumptions, values, norms and artefacts that fit with the purpose of the organisation and are essential to the continued existence of the organisation. Lastly the technology and resources available and suitable to the purpose of the organisation is also a major consideration. After determining these factors the structure must be formed to accommodate each in a stable manner. (Ref. Available at URL: <http://www.exxonmobil.com>)

A key Exxon strategy is that the customer should have a single point of contact for all their fuel requirements worldwide. This point of contact will have the information, knowledge and authority to satisfy customer's needs in all markets, making the decisions customers require, when they require them. Hence the structure of the organisation must be so that it creates convenient and flowing channels of communication between itself and its customers. Due to being a large company, it must

fight the inherent tendency to be less interactive with its customers. (Ref. available at URL:<http://www.exxonmobil.com>)

## **10. Conclusion:**

Our report has covered the many dimensions of structure and the factors that affect it. We have found that in general Exxon has well-organised and suitable structure considering the challenges it faces. A structure that clearly promotes its strategies and innovation. Its structure also recognises the cultural issues that it faces, shown by it giving different management teams to different cultural and regional markets. Hence it can be more responsive to the different customers it has and appeal to each one differently. This flexibility is a great asset in a dynamically growing international market. Yet it does not ignore its domestic market and its structure does give a management team to the issues that face its domestic market.

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