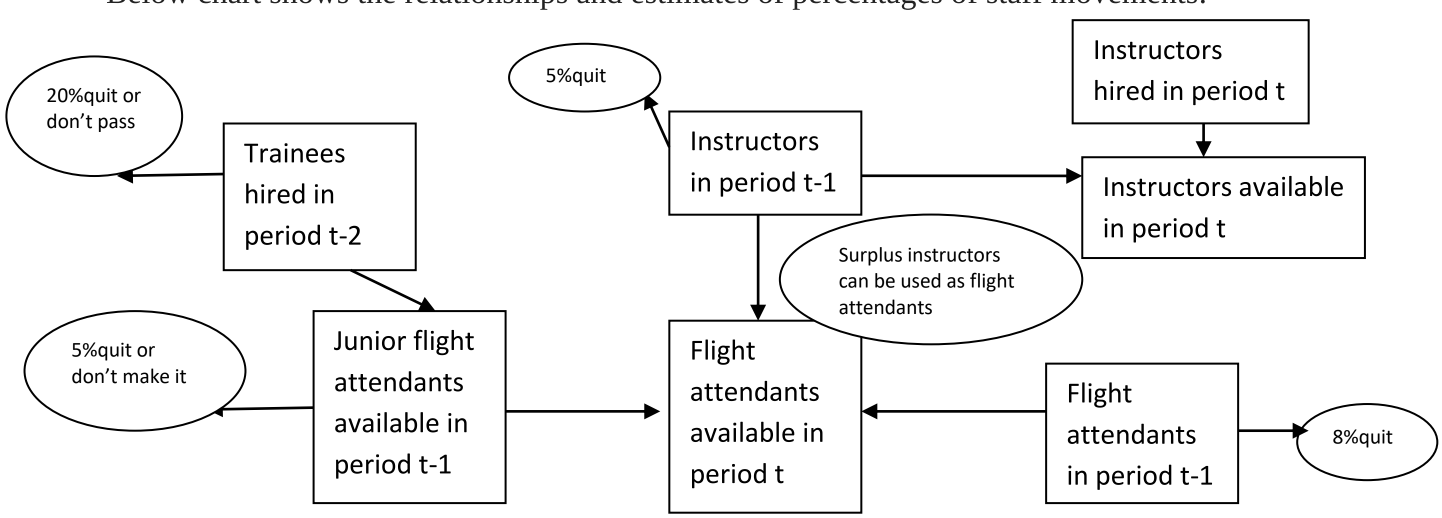
Case: Local Airlines Prepared for Exam 1 – IE375 Spring 2020

Local Airlines is a well-established regional airline serving Turkey and Balkans. Local competes against much larger carriers in this regional market, and its management feels that the price, frequency of flight service, ability to meet schedules, baggage handling, and image projected by its flight attendants are the most important marketing factors that airline passengers consider when deciding to use a particular carrier.

In each of these areas, Local is attaining its desired objectives. Maintaining its flight-attendant staff at desired levels has been difficult in the past, however, and many times, it has had to ask flight attendants to work overtime because of worker shortages. This has resulted in excessive personnel costs and some morale problems among the attendants. One complicating factor for these worker shortages is higher-than-industry-average turnover rate resulting from experienced attendants being hired away by other airlines. This is not due entirely to morale problems; that cause seems to become important only during seasonal peak-demand periods, when shortages are particularly bad. By interviewing the existing personnel, Local has discovered that competing regional carriers (whose training programs are not as highly developed) have been hiring away from Local a significant proportion of its staff by offering slightly higher direct salaries, as well as appealing indirect benefit packages and guarantees of a minimum number of flying hours in off-peak demand periods.

As a beginning, Local's management has asked for a T-month hiring and training analysis of the flight attendant staff requirements beginning next month (July). An investigation of the operations schedule indicates that number of flight attendants needed for the future can be estimated as a function of forecasted number of customers. Local's training program for new personnel requires an entire month of classroom preparation before they are assigned to regular flight service. As junior flight attendants, they remain on probationary status for one additional month.

Below chart shows the relationships and estimates of percentages of staff movements:



When no personnel shortages occur, each junior flight attendant normally works an average of 140 hours per month and is paid a salary of $1,050 during the probationary period. During the training period, each new employee is paid $750. Experienced flight attendants receive an average salary of $1,400 per month and work an average of 125 hours per month. Each instructor receives a salary of $1,500 per month.

Local's Quality Policies

Policy 1) The poorly kept secret of Local's personalized training program is that the number of trainees is limited to no more than five per instructor.

Policy 2) Instructors not needed in a particular month (i.e., surplus) serve as flight attendants.

Policy 3) To ensure a high level of quality in flight service, Local requires that the proportion of junior flight attendant hours not exceed 25 percent of any month's total (i.e., junior plus experienced) attendant hours.

Policy 4) Considering the fact that the pool of instructors in the market is large Local hires new instructor's when needed without any additional financial or operational burden. However, firing an instructor is not possible.

Note: Some additional information on this case will be supplied with the exam. Please do not bring this copy of the case to the exam.