

Normalization of Airline Companies' Internal Management System

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Abstract: With the economic development of China, the environment of global economy is changing fast, which brings unprecedented challenges and chances for airline companies. Therefore, it is necessary to strengthen the normalization of airline companies' internal management. This study focused on relevant concepts of internal management and the relation between internal management and management system. Problems of airline companies' internal management system and corresponding influencing factors were analyzed to help normalize the internal control of airline companies. These analysis and suggestions could be useful for the normalization of airline companies' internal management system.

1 INTRODUCTION

With the rapid development of Chinese navigation industry, the internal management of civil airline companies is faced with great changes. Normalizing internal management system is the most effective way to tackle complicated economic environment. Nowadays, the internal and external environment of airline companies is complicated and the management of airline companies has many uncertainties. Therefore, airline companies need to strengthen their competitive power and normalize their internal management system. The lack of internal management system leads to the fact that airline companies do not have comprehensive plans on plane purchasing and flight management (Liu Weigang, 2012). For example, the internal management of airline companies is scattered and contradictory, leading to loss of state assets, uncontrolled cost and ineffective budget system. All these problems provide chances for accounting fraud and corruption, so airline companies cannot effectively control their risks. Therefore, in complicated economic environment and fierce competition, airline companies should establish a set of internal management system, enabling them to be successful in competition.

2 RELEVANT CONCEPTS ABOUT INTERNAL MANAGEMENT SYSTEM AND THE RELATION BETWEEN INTERNAL MANAGEMENT AND MANAGEMENT SYSTEM

2.1 Relevant concepts about internal management system

The normalization of internal management system mainly relies on the establishment of companies' internal control system, which is based on the effectiveness of companies' risk management. Internal control refers to the system that high level of companies, including board of directors, board of supervisors and senior managers, guarantee the legal management, safe assets of companies and real financial information, effectively enhancing business efficiency and realizing sustainable development (Song Guixiang, 2011). The normalization of airline companies' internal management system depends on the legality and rationality of internal control system, which can bring unprecedented effects to business of airline companies. The goal of internal control is risk control. Risk management means that companies can reasonably identify, evaluate and assess various risks in advance. For those predicted risks, companies should take economic and reasonable measures to control and guarantee the safety of companies' assets to the large extent. Risk

management mainly includes three aspects, namely, risk identification, risk evaluation and risk solution. Companies are supposed to avoid risks in time and reduce uncertainties in their business. Risks in this study refer to the negative influence on companies' business and the goal of risk management is to reduce uncertainties, enhancing companies' risk control abilities and their business performance.

2.2 Relation between internal control and management system

Internal control of companies is closely related to internal management. Companies will always face various uncertainties and undergo risks from both internal and external environment. In this process, companies need to transform uncertainties into certainties within their control. The normalization of internal management refers to applying risk management to internal control system and closely relating risk management to internal control (Xie Yunshuang, 2004). Thus, the normative internal management system can be formed. Internal control system consists of authorization and liability, a working standard with high logic. Internal control mainly includes accounting, management, business and law enforcement. The more normative of internal control system, the less risk companies will face and the internal management of companies can be more normative.

3 PROBLEMS OF AIRLINE COMPANIES' INTERNAL MANAGEMENT SYSTEM AND CORRESPONDING INFLUENCING FACTORS

3.1 Problems of airline companies' internal management system

Firstly, the internal management consciousness is weak since the internal control is negative. People's consciousness determines their behaviors. Currently, the consciousness of airline companies' staff is weak and most of them lack the consciousness of internal control, resulting in the deficiency of airline companies' internal management and a series of problems. The senior managers of airline companies do not deeply recognize the important role of internal management for the long-term development of companies. Some of them regard internal

management system as accounting system or effective measures to prevent embezzlement, so they do not correctly understand the true meaning of internal control and fail to educate their staff on internal control. Therefore, companies should take initiative to implement internal control management. Passive implementation of internal control is one of the important reasons that lead to serious management problems. Lack of internal control initiative largely influences the risk control abilities of airline companies.

Secondly, internal management system can not adapt to the changes of environment. The fast development of economy brings more uncertainties to companies. If airline companies want to be successful in changing environment, they should constantly normalize their internal management system and strengthen internal control, adapting to current economic environment. However, the internal management of most airline companies can not adapt to the changing economic development and identify potential risks, greatly lowering the management level of companies.

Lastly, internal management has big leak. The normalization of internal management mainly relies on internal control, which is a way 1 to achieve business goals. Internal control is a comprehensive control process and it needs the cooperation of companies' different levels. For airline companies, safety in production and management is the priority among priorities. The core goal of business is entire process control of service management. Currently, airline companies mainly emphasize pre-control and neglect process control, exposing them to great risks. Therefore, the internal control system and internal management are not perfect, which can not effectively normalize internal management.

3.2 Risk factors of airline companies

Firstly, interest rate volatility has great influence on airline companies. The main assets of airline companies are fixed assets. No matter how these assets are acquired (purchase or lease), they are all debts for airline companies. High asset-liability ratio will expose airline companies to greater interest risk.

Secondly, Exchange-rate flexibility exposes airline companies to some risks. Since 2005, Chinese government has been adopting floating exchange rate system based on market supply and demand. The flexibility of RMB rate is influenced by domestic economy, international situation as well as supply and demand. In future years, the RMB rate is likely to have big changes. The business of airline

companies basically covers many countries and regions and the transaction money can be foreign currency apart from RMB. Most airline companies have their assets purchase or lease fixed settled in US dollars. Therefore, the flexibility of RMB rate will influence the costs of fixed assets and expose airline companies to greater rate risks.

Finally, the flexibility of aviation oil price brings some risks for airline companies. In recent years, the price of oil has been changing frequently and the oil price in China has been soaring. The influencing factors of oil price include the regulations of National Development and Reform Commission and Civil Aviation Authority as well as the global oil supply and demand. Aviation oil is the main component of airline companies' operational cost. Therefore, airline companies are greatly influenced by the oil price. The continuous changing oil price brings more risks to airline companies and the rising oil price will add to operational cost of airline companies.

4 WAYS TO NORMALIZE INTERNATIONAL MANAGEMENT SYSTEM OF AIRLINE COMPANIES

4.1 Strengthening aviation safety education and enhancing staff's consciousness of internal control

The establishment of internal control relies on the formation of internal control environment. The formation of internal management system of airline companies should begin with management ideas of internal control. Any business decision ought to be made within normative internal management. Contrary to other companies, airline companies are related to aviation safety, which mainly depends on perfect internal management. Airline companies should strictly follow their internal management and have a correct recognition of their internal management system, which can reduce risks of airline companies and help airline companies achieve their goals.

4.2 Analyzing key points of internal management and strengthening regulations on weak points

The normalization of airline companies' internal management needs effective internal control system, thus enhancing risk response abilities of staff and their working efficiency. In order to follow the pace of economic changes, airline companies should timely analyze key points of internal management. Risk points need to be solved in time, strictly following accounting standards and financial management system to strengthen risk regulations. Airline companies also should timely identify risks and take effective measures to control them, further improving internal management and enhancing risk response abilities. In addition, when airline companies manage their special businesses, they should have targeted internal management on these businesses, emphasizing relevant internal control and risk supervision. Airline companies need to timely check their internal management and strengthen regulations on weak points. Problems should be solved in time and responsibility person should be punished, thus enhancing risk response abilities of airline companies and normalizing their internal management.

4.3 Establishing perfect governance and organization of airline companies

The normalization of internal management first needs to confirm the normalization of organization structure, the management goals and reasonable internal control system. The establishment of governance structure and organization structure of airline companies should include following aspects. First aspect is about scientifically and reasonably definition of duties and powers of decision-making level, management level and executive level. Airline companies should strictly follow the separation principle of management and supervision as well as decision-making and implementation, ensuring clear powers and duties among different levels. Then, in the implementation of airline companies' affairs, the balance of powers can be realized to avoid autarchy. Second aspect refers to the three centers of airline companies, namely, profit, cost and investment. Airline companies should entitle investment center, profit center and cost center with different powers according to their working liabilities. Internal incentive should be unified with constraint mechanism to arouse the initiative of different

departments of airline companies, thus encouraging staff from different departments to do their work with high efficiency and realizing the goal of internal control. The normalization of airline companies' internal management should ensure clear powers and duties relation, avoiding unnecessary disputes.

4.4 Normative management of business behaviors

Airline companies should follow the principle of concision and high efficiency and integrate their management mechanisms, finally forming an effective management structure. The systems of airline companies mainly include financial control system, human resource system, safety production system, marketing system and assets management system. On the basis of these systems, airline companies can establishment internal management system and realize procedural business process. Financial control system should regard financial management as a core. Fixed assets purchasing and sales department performance should form effective communication with financial department, allowing financial staff to participate in daily affairs of airline companies. Then, airline companies can effectively reduce their cost and enhance their economic benefits. The safety control and production system should be established to confirm all pilots of airline companies follow safety rules and regulations, guaranteeing flight safety based on flight standard and procedure.

5 CONCLUSIONS

The normalization of airline companies' internal management is an important part of management affairs of airline companies. Airline companies should highly emphasize the effectiveness of internal management system. Normative internal management can offer effective guarantee to basic management of airline companies. Nowadays, market environment and economic environment is constantly changing. If airline companies want to protect their economic benefits, normative internal management is indispensable because it is an important guarantee for airline companies to have safe production and sustainable development. The normalization of internal management is also the most effective way for airline companies to face competition and changes, winning a place in fierce competition.

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