



Strategic Management in the Aviation Industry



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To reach that goal, we examine a set of representative case studies on various airport operators who have been involved in internationalization projects over the past years. Based on the analysis of selected projects, we discuss the problems and shortcomings experienced and finally derive several crucial success factors, which can be classified into company and project specific success factors.

The empirical analyses can serve as a means of decision support in considering other international activities and can lead to the identification of general or company specific strategies, development trends and action patterns for airports.

2 Airports and their Role in the Air Transport Chain

To better understand the issue of airport internationalization and the potential areas for internationalization projects airport operators might choose, the core activities performed by airports first need to be identified. Second, airport operators have to make deliberate choices to select which of these activities become part of an internationalizing project and how this should be done.

These generic activities are expected to be preferred in case the airport chooses to become engaged internationally. In general, airports are the interface between the surface transport and the air transport in any air transportation chain.

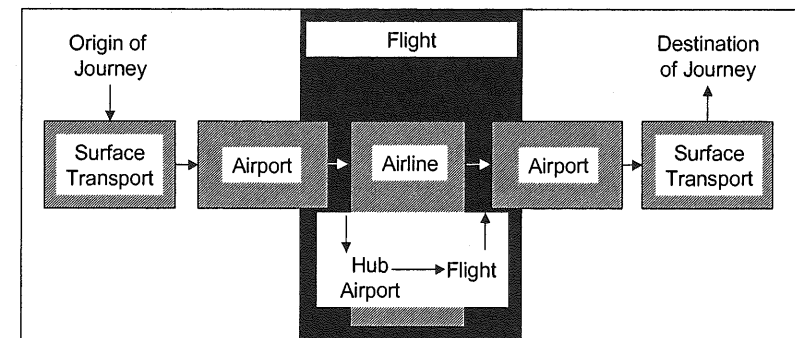


Figure 16-1: The Air Transport Chain (Passenger Transport)

The role as linking point between the different modes of transport puts the airport in a specific position, making it both an infrastructure and a service provider for a highly specialized demand. Fulfilling this function, an airport has to satisfy the specific needs of such diverse customers as airlines, ground

handling agents, catering companies and of course passengers and freight forwarders, to name a few. Thus, the range of services offered and the commercial activities performed by an airport covers an extensive variety. Based on Porter's value chain concept, the following figure gives a brief overview of an airport's business complexity.⁴

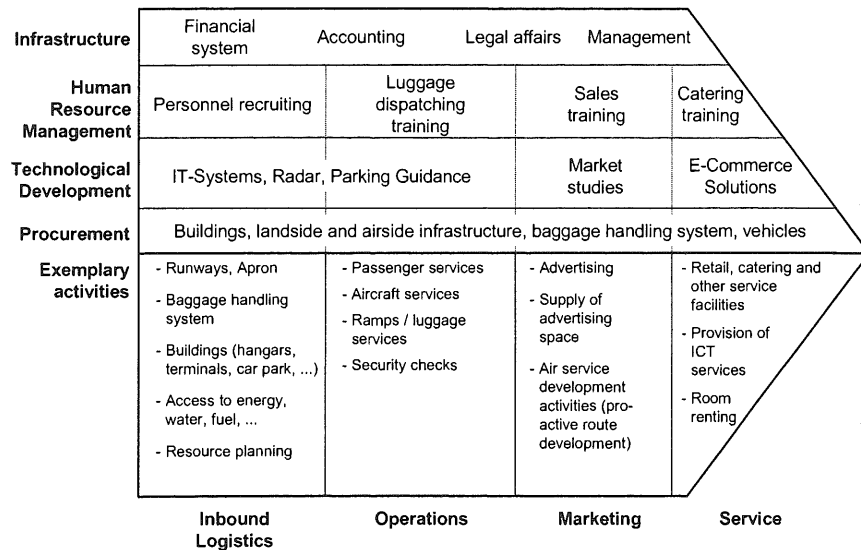


Figure 16-2: The Value Chain of the Airport⁵

The term "internationalization" covers a broad variety of activities in both its theoretical as well as practical interpretations. Our understanding of "internationalization of airport companies" comprises all activities in which an airport operator undertakes any international activity of any kind, which means any activity at any location outside his own airport and outside his home country. Within these activities, the type of projects realized, the functions carried out and the kind of participation involved may vary. The respective international companies have competencies in very different areas of expertise such as concession management, ground handling or airport management. These core competencies build the basis and the fundament of their projects. Thus, for each specific international project various companies usually join forces in a

⁴ For a detailed discussion of the activities of an airport and of the differences and similarities between the value chains of airlines as well as of potential fields of cooperation between these companies refer to Albers et al. (Forthcoming).

⁵ Adapted from Albers et al. (2005).

consortium, combining their respective capabilities to be able to deal with the actual tasks and requirements in the project's environment and framework in the best possible way.⁶

In general all activities performed by an airport along the value chain can be subject to an internationalization project. Depending on the activity being performed internationally, the project design can of course differ significantly, ranging from selling services to external clients (e.g. offering ground handling services at a foreign airport) to acquiring an entire airport abroad.

3 Internationalization of Airport Companies

The internationalization of firms has been widely discussed both in general terms as well as for specific industry sectors.⁷ Nevertheless, especially in the field of airports, research is limited. The following analysis of this specific area of the aviation business approaches the issue based on an empirical study of the phenomenon of airport internationalization. Doing so we do not attempt to develop a comprehensive, specific theory of the internationalization of airport operators. Moreover our intention is to give insights into the decision mechanisms behind such investment projects.

3.1 Opportunities and Risks of Airport Internationalization Projects

The analysis of the airport companies' motives for entering into international projects discloses a considerable set of factors which enforce the companies' decision to become active in this business. These drivers can be differentiated

⁶ To guarantee to serve all project requirements, a typical consortium would most commonly consist of the airport operator, investors, a construction company, concessionaires and other project-specific partners. These can include e.g. local lawyers, investors, construction enterprises or other parties with broad experience and knowledge of the local business and political environment. In some cases it might also be necessary to have a partner holding a "golden" share for juridical or political reasons.

⁷ For a general overview of the most discussed theories of the international company refer to Perlitz (1995) or Kutschker & Schmid (2002).