

Understanding different responses to the implementation of a new business model

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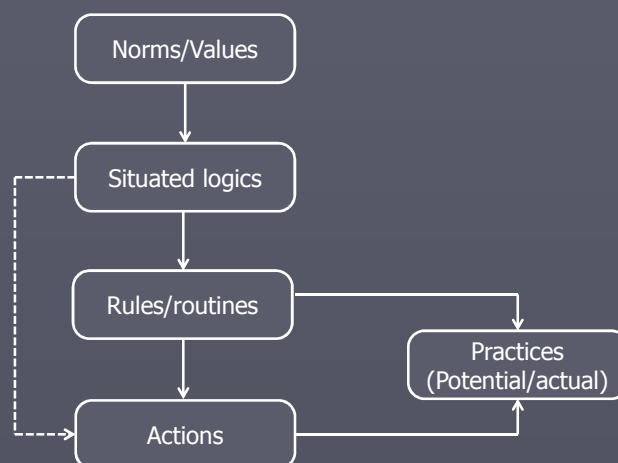
Business Re-engineering in AirportCo

- ▶ AirportCo: Manages the airports in a SE Asian Country
- ▶ A State Linked Company (SLC)
- ▶ Pressure for all SLCs – incl. AirportCo – to improve business performance
- ▶ SLCs need a 'High Performance Culture'
→ *new business model*
- ▶ Business Re-engineering in AirportCo
- ▶ Variations in responses within the company

Situated Logics

- ▶ Logics; mind sets; culture
- ▶ Accountants -v- engineers
- ▶ Different groups – different logics
- ▶ Situated logics:
 - mix of wider logics and shared local interests and experiences
 - define group, and
 - shape responses to change

The Situated Logics Framework



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Business Units

- ▶ Studied specific Business Units
 - Local airports – domestic and international
 - Major International airport
 - Retail
- ▶ Different responses to high performance culture
- ▶ Accounting change (re-engineering to promote the high performance culture)
- ▶ Resistance to accounting change in business units and within the accounting function

History of AirportCo

- ▶ Department of Civil Aviation
- ▶ Regulatory and operational roles split in 1990s
 - DCA and AirportCo
- ▶ AirportCo: Public listed company
 - Decentralised operations and functions
 - Multiple systems
- ▶ Govt. pressure for high performance culture
 - Rationalisation & functional centralisation

History of AirportCo

- ▶ Promoting a high performance culture:
high and increasing performance targets
- ▶ Re-engineering: Phase 1 (early 2000s)
Restructuring core processes
- ▶ Re-engineering: Phase 2 (recent years)
restructuring support functions:
incl. human resources and accounting
- ▶ Many initiatives in the operating units and
the support functions

Different logics

- ▶ Logic of public service
Public service tradition
Inherited from DCA, but reinforced by
current social obligations
- ▶ Logic of technical efficiency
highly regulated technical standards
- ▶ Logic of commercialisation
Post-privatisation
Profitability and business-like practices

Local airports BU History/context

- ▶ Inherited infrastructure and workforce from the DCA
- ▶ Almost half of passenger movements in country
- ▶ Increasing trend in financial results, but profitability vulnerable to:
 - rising operating costs; security/technical regulated nature of revenues
- ▶ Strong public service commitment

Local airports BU Logics

- ▶ Logic of public service
 - residue of DCA and current social obligations
- ▶ Logic of technical efficiency
 - standards set by regulators
- ▶ Public service and technical efficiency reinforce each other
- ▶ Little evidence of logic of commercialisation
 - commercial performance deemed to be inconsistent with technical efficiency

Local airports BU

High performance culture

- ▶ Various initiatives to improve technical efficiency and to provide public service
- ▶ Some commercial initiatives at international airports to improve financial performance.
- ▶ But few commercial developments or cost cutting activities at domestic airports
- ▶ High performance culture interpreted in terms of improving technical efficiency and public service

Major International airport BU

History/context

- ▶ Set up in 1990s to manage new international airport in the capital city
- ▶ Some (senior/technical) staff from 'Local' BU
- ▶ Revenues from aeronautical activities and non-aeronautical activities:
leases/rentals/special services (not retail)
- ▶ Increasing passenger numbers & revenues
- ▶ High performance targets set HO
→ technical efficiency & commercialisation

Major International airport BU Logics

- ▶ Logic of public service
some residue of DCA: also new employees
no public service commitment
- ▶ Logic of technical efficiency
“technical efficiency ... is a big thing”
- ▶ Logic of commercialism
“we have to balance both efficiency and profitability”
- ▶ Efficiency & commercialism reinforce each other

Major International airport BU High performance culture

- ▶ Various initiatives: lean management, six sigma, cost efficiency models
- ▶ Operational and financial targets
- ▶ Financial orientation contested by some operating managers:
“when should enough be enough?”
- ▶ Nevertheless, high performance culture is interpreted in terms of both efficiency and commercialisation

Retail BU History/context

- ▶ Most profitable BU: set up mid-1990s
- ▶ Manages all retail business, including catering at some domestic and *all* international airports
- ▶ Increasing trend in profitability
- ▶ Implemented *airport retail business models*
- ▶ ('Unrealistic') performance targets set by HO: wants a *clear majority* of profits to come from non-aeronautical activities

Retail BU Logics

- ▶ Logic of public service
some ex-DCA staff, but no public service commitment
- ▶ Logic of technical efficiency
not an issue – cf. retail efficiency
- ▶ Logic of commercialism
the most commercially-oriented subsidiary focuses on improving profitability

Retail BU

High performance culture

- ▶ Airport retail business models
 - passenger profiling: e.g., young-v-senior
 - passenger tread
 - expanded customer target groups
 - diversified sales portfolio and media
- ▶ High performance culture focuses on commercial revenues and financial performance through various initiatives

Summary of logics

- ▶ Local airports:
 - public service + technical efficiency
- ▶ Major international airport
 - technical efficiency + commercialism
- ▶ Retail
 - commercialism

Accounting Function History/context

- ▶ DCA had very bureaucratic systems
- ▶ Later they developed at the BU level
- ▶ New CFO 2000s
 - “practices are too problematic”
 - Many different & incompatible systems
 - Poor information provided to HO
 - Accounting staff doing diverse jobs in BUs
- ▶ Re-engineer accounting function
 - (1) restructure/centralise (2) new ERP

Accounting Function Logics

- ▶ (Logic of) localism
 - Decentralised accounting functions
 - Autonomous practices at subsidiary level
 - Multiple (independent) systems
 - Direct on-site involvement
- ▶ (Logic of) Professionalism
 - Centralised accounting functions
 - Standardised practices
 - Integrated systems
 - Less on-site involvement

Accounting Function High performance culture

- ▶ Reduce 'cost-to-serve'
 - economies of scale
 - standardisation of systems/practices
 - better work balance
 - 'professional' knowledge & training
- ▶ Restructuring roles



Tensions and resistance to change

- ▶ Accounting staff:
 - re-positioned in central function
 - moving out of comfort zones
 - challenging: automation & complexity
 - Not unexpected – will take time*

Tensions and resistance to change

- ▶ Operations people:
 - concerns expressed by retail managers
 - "I thought they would support us better. But we end up doing things ourselves."* Retail Mgr
 - Little resistance at local and international BUs
 - "Change is everywhere, things have to change. We just try to be positive over this change."*
 - Snr Mgr in Major International Airport BU

Tensions and resistance to change

- ▶ Operations people:
concerns expressed by retail managers
"I thought they would support us better. But we end up doing things ourselves." Retail Mgr
- ▶ Little resistance at local and international BUs
"I don't mind it as long as they continue to do their job...we can concentrate on aeronautical services" GM of Local Airports BU

Lessons/questions

- ▶ New Business models promoted at higher levels will be (re-)interpreted at lower levels in terms of their logics (mind-set/culture)
Is this a problem?
- ▶ Different logics can co-exist within an organisation – conflicts more likely where they are closer together, rather than further apart.
How can such conflicts be anticipated?

Questions